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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92025859
Party	Plaintiff Empresa Cubana Del Tabaco d.b.a Cubatabaco
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE
TRADEMARK TRIAL AND APPEAL BOARD**

In the matter of Trademark Registration No. 1147309

For the mark COHIBA

Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273

For the mark COHIBA

Date registered: June 6, 1995

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EMPRESA CUBANA DEL TABACO, d.b.a.	:	
CUBATABACO,	:	
	:	
Petitioner,	:	
	:	Cancellation No. 92025859
v.	:	
	:	
GENERAL CIGAR CO., INC.	:	
	:	
Respondent.	:	
	:	
	:	
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PARTY DESIGNATIONS*: Petitioner's Designations During Its Trial Period—Yellow or Pink
Respondent's Designations During Its Trial Period—Green
Petitioner's Designations During Its Rebuttal Period—Blue

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

**Designated Federal Action Defendant's Written Direct
Testimony of Edgar M. Cullman, Jr., dated June 4, 2003**

* Designations made pursuant to the marking and filing procedure the Board has previously approved, TTABVue Nos. 138, 136, 135, 132, 91 and 89.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EMPRESA CUBANA DEL TABACO d.b.a.
CUBATABACO,

Plaintiff,

v.

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,

Defendants.

Civil Action No.
97 Civ. 8399 (RWS)

**DIRECT TESTIMONY OF
EDGAR M. CULLMAN, JR.**

1. My name is Edgar M. Cullman, Jr. and I am the President and Chief Executive Officer of General Cigar Co., Inc.

Personal Background

2. I graduated from Yale University with a B.A. in 1968. After graduating from Yale I enlisted in the U.S. Army. I was posted to the 500th Military Intelligence Group in Japan. In 1971 I was honorably discharged from the Army at the rank of Specialist 4th Class. Subsequently I entered the trainee program at Manufacturer's Hanover Trust Company and worked in the credit area in two branches. After almost three years with Manufacturer's Hanover, I entered the family business in 1974.

3. The Cullman family has been involved in the tobacco business since my great-grandfather emigrated from Germany. For over a century, my family has been involved in the buying, selling, and growing of tobacco leaf. My father became involved in the cigar industry when he purchased a controlling interest in General Cigar Company in 1961.

4. I joined General Cigar as an Executive Trainee. I learned every aspect of the cigar business from growing and processing tobacco to cigar making, as well as marketing and sales. I started working in Puerto Rico where we sorted Connecticut wrappers. Later I

worked in our operations in Kingston, Jamaica; Tampa, Florida; and Wilkes-Barre and Philipsburg, Pennsylvania. My job was to document all aspects of the cigar business and thereby educate myself in the business in preparation for a management position.

5. In 1976, I was appointed Senior Vice President/Cigars and Tobacco of General Cigar. In December 1976 I was appointed Executive Vice President in charge of marketing for General Cigar. In 1978 I was appointed Executive Vice President and Chief Operating Officer of General Cigar. In 1980, I became President of General Cigar and a member of the company's Board of Directors. I became President of Culbro Corporation in 1984. By that time, Culbro, which was formed in the 1970s as the parent company of General Cigar, had businesses in a wide variety of industries, including pharmaceuticals, plastics, distribution, real estate, plant nurseries, mortgage finance and snack foods. From the late 1980s through the late 1990s many of those companies were sold or spun off.

6. In 1996, I became Chief Executive Officer of Culbro. In 1997, Culbro was merged into General Cigar Holdings, Inc. As part of that transaction, all of the remaining Culbro businesses other than its cigar business were spun off into a separate entity. In 1999, General Cigar sold its mass-market cigar business to Swedish Match. In 2000, General Cigar went private, and Swedish Match acquired a 64% interest in General Cigar.

7. When I was named President of Culbro in 1984, my focus shifted away from the cigar business to a broader one, because Culbro owned operating companies in the multitude of industries mentioned above. I was therefore not as involved in the day-to-day management of General Cigar during that period. I was, of course, still ultimately responsible for the cigar business, as I was for all our businesses. It was not until 1997, by which time we had sold off most of our non-cigar businesses, that I began once again to focus solely on cigars.

8. Today, General Cigar focuses on the manufacturing and marketing of premium hand made cigars.

Overview of the Cigar Industry and General Cigar's Premium Cigar Offerings

9. The cigar industry is generally divided into mass-market cigars, which are less expensive and machine made, and premium cigars which are more expensive and are made by hand. As an industry rule of thumb, a premium cigar is made not only by hand but with long filler tobacco (i.e., whole tobacco leaves) and costs more than \$1.

10. The cigar industry was dominated by mass-market cigars prior to the 1990s. From a peak in the late-1960s, the cigar industry went into a slow but steady decline throughout the 1970s, 1980s and early 1990s. During this time the premium portion of the industry, which was extremely small in the 1960s, grew slowly until the mid-1980s when it too started to decline. The late 1980s and early 1990s was a low point of the industry.

11. In late 1993 a "boom" started in the premium cigar market. Over the ensuing few years, sales grew dramatically until hitting a peak in 1997 or 1998. It was both a wonderful and frustrating time to be in the cigar business. It was wonderful in the sense that our products were selling well and that our consumer base was growing. It was frustrating in the sense that General Cigar was unable to procure adequate supplies of high quality tobacco to meet the burgeoning demand. Indeed, many of our best customers were angry and disappointed that they were unable to get our product.

12. Today the U.S. is easily the largest market for premium cigars in the world.

The Development of Cuban-Origin Premium Cigar Brands in the U.S. After the Embargo

13. Although Cuban cigars have not been legally available in the U.S. since the early 1960s due to the embargo, the names of many premium cigars sold in the U.S. today

trace their roots to Cuba. Prior to the embargo, all true premium cigars sold in the U.S. were Cuban cigars made with Cuban tobacco. So, to U.S. consumers a premium cigar meant a Cuban cigar.

14. For many years following the implementation of the embargo, there were few non-Cuban cigars to fill this significant void. As a result, a number of U.S. cigar manufacturers, including General Cigar, purchased the traditional Cuban premium cigar brands from the Cuban families who owned them and whose factories and Cuban trademark registrations, along with other assets, were confiscated by the Cuban government. General Cigar and other companies began marketing cigars with these brand names primarily in the U.S., using non-Cuban tobacco. At the same time, the Cuban government and its instrumentalities sold (and continue to sell) cigars made with Cuban tobacco under these pre-revolutionary Cuban brand names in other parts of the world. The embargo thus gave rise to so-called “parallel brands.”

15. General Cigar first began purchasing these traditional, pre-revolutionary Cuban-origin brands in 1976. At that time, General Cigar purchased the Cifuentes family brands including Partagas, Ramon Allones and Cifuentes. General Cigar determined that it was a good business decision to purchase these brands primarily because they were Cuban brands and in the U.S., a Cuban-origin name signified a premium cigar. We also felt that despite the 15-year hiatus, cigar smokers at the time would recognize some of the brand names from having smoked the cigars prior to the embargo; and that, when the embargo ended, there might be an opportunity for us, together with the original owners, to reclaim the factories and other cigar-related assets that were seized by Castro’s regime.

16. My father and I developed a consistent approach to marketing our Cuban-origin premium brands. General Cigar would as a matter of course market premium cigars under

the brand name and trade dress (or elements of it) purchased from the original Cuban owners. We would use the mark and the trade dress to take advantage of the marketing benefit resulting from U.S. consumers' association of Cuban brands with premium cigar status. Over time, we came to manufacture and market many Cuban-origin brands in this way, including Partagas, Bolivar, Flor de Cano, and La Gloria Cubana, among others. One of our best selling brands, Partagas, is an excellent example of how important our brands' Cuban-origin can be as a marketing tool. At one time, the advertising tag line for Partagas was "the cigar that knew Cuba when."

17. Other cigar companies took a similar approach to the marketing of premium cigars after the embargo. Indeed, in the 1970s and 1980s almost all of the handful of then-existing premium U.S. brands were brands with Cuban origins, marketed in conjunction with the trade dress (or variants of it) of their Cuban counterparts. For example, Villazon sold premium cigars using Cuban-origin brands including Punch, Hoyo de Monterrey, and El Rey del Mundo. Consolidated Cigar sold Montecruz, a variant of the famous Cuban brand Montecristo.

After the Embargo

18. General Cigar has always taken the position that after the Cuban embargo, the opening of trade between our two countries could give a tremendous boost to the cigar industry. Consumers will be extremely interested in trying Cuban cigars and cigars blended with Cuban tobacco. We feel that we would be in a good position to benefit from this expansion of interest in cigars as long as we have equal access to Cuban tobacco and Cuban cigars.

19. Tobacco, like wine grapes, takes on distinctive tastes because of the soil. The French call it the "terroire." The soil in the best growing areas of Cuba, the Vuelta Abajo region, is perhaps unique in the world and provides Cuban tobacco with its distinctive taste. Because General Cigar has proven expertise in growing and processing tobaccos from around the

others in the U.S. cigar industry, are working to advocate this position with the U.S.

Government.

Discovery of the COHIBA Name

23. I recall first learning of the name COHIBA during a visit to Florida, where I met with Oscar Boruchin, who was then a salesman for General Cigar. I do not remember precisely when this trip occurred. I believe it was sometime in late 1977. In keeping with General Cigar's interest in using Cuban names to market premium cigars, I asked him to be on the lookout for potential Cuban names for cigar brands; I do not recall whether I did that before or after he told me about COHIBA. However, at about the time I first learned of the COHIBA name or shortly thereafter, Mr. Boruchin also suggested two other Cuban names for possible cigar brands, Viñales (the name of a valley in Cuba) and Cienfuegos (the name of a town in Cuba).

24. Mr. Boruchin told me that COHIBA was the name given to cigars that Fidel Castro gave as gifts to visiting dignitaries. I liked the sound of the name and thought it would work well from a marketing perspective because it is short, powerful and easy to say or pronounce and because, as a Cuban-origin name, it fit into our strategy for marketing premium cigars. I also found the Castro connection interesting.

25. I shared the story with other people at General Cigar when I returned from Florida. Everyone I spoke with appeared to share the feeling that it was a great name for a cigar. We may have had some discussions about the fact that in Cuba it was the name for Castro's private cigar, which we found amusing. For example, Mr. Boruchin wrote me a note in March 1978 attaching an article; I do not recall the article, but the note says that Castro was doing our marketing for us. D291 is a copy of the note. However, although the association with Castro

was of interest to us, it was certainly not a big selling point for the U.S. market to link a cigar to a person who, while notorious, was not a popular figure in the U.S.

26. I do not recall having read a November 1977 Forbes article about cigars that contained a brief reference to COHIBA. However, I believe that it is likely I would have seen it, because any article about cigars in a significant business periodical such as Forbes probably would have been called to my attention.

Decision to Register COHIBA in 1978

27. Based on the favorable reaction to the name at General Cigar, I decided that General Cigar should file an application for a trademark registration for COHIBA in the U.S. At about the same time, we also applied to register Viñales and Cienfuegos.

28. I recall that we wanted to move quickly to get a COHIBA product into the marketplace. I understood that this was necessary because the U.S. trademark laws of the time required someone who wanted to register a trademark to have used the product in commerce.

29. Pursuant to trademark compliance procedures at the time, prior to applying to register a trademark, General Cigar would ship boxes of mass-market cigars in plain boxes bearing the mark we planned on registering, here "COHIBA." I understood that once we had shipped cigars we could apply for a trademark registration. I understand that today the process is much different. Between 1978 and 1982 General Cigar shipped thousands of COHIBA cigars this way.

30. Shortly after General Cigar began using the name, our attorneys filed an application to register the trademark with the United States Patent and Trademark Office ("PTO"). Although I do not recall the precise dates, and I did not (and do not) get involved in the technical details of our trademark registrations, company documents show that our first use was in February 1978; and that General Cigar's application to register the mark was filed with

the PTO on March 13, 1978. D90, 91, 92 and 93 are copies of documents reflecting these events.

31. I believe that the company did not conduct a trademark search for COHIBA at the time of our application to register the mark. I do not recall why no search was conducted, but my understanding was that if it turned out that another individual or company had previously registered the mark in the U.S., we would learn about it during the application process.

32. I do not recall anyone at the company requesting that our lawyers perform any trademark searches in Cuba or any other countries prior to our filing the application for COHIBA. However, my understanding was that this would not have been necessary, because even if anyone had registered the mark in another country, that would not have affected our ability to register or use the mark in the U.S.

33. When we applied to register COHIBA, neither I nor anyone else at General Cigar whom I discussed it with knew anything about it other than that it was a name Castro was using in Cuba on the cigars he was giving to visiting dignitaries. At that time, it was very difficult to get solid information about any cigars produced in Cuba, least of all something that at the time was available in only limited quantities and only in Cuba.

34. To my knowledge, no one at General Cigar had even seen the trade dress for this particular brand at the time we applied to register the name. Unlike the pre-revolutionary brands, COHIBA was not a known name in the U.S., and obviously neither the name nor the trade dress had any meaning in the U.S. marketplace at the time. However, my intent from the beginning was to market COHIBA the same way we marketed our other Cuban-origin brands.

35. We did not see the trade dress until shortly after we applied to register the COHIBA mark, when Mr. Boruchin sent me an example of the bands from the Cuban COHIBA. Although I do not recall the precise date, the handwritten note Mr. Boruchin sent to me with the band indicates that he sent it to me on March 19, 1978. D292 is a copy of that note and a cigar band.

Sale of the Bundled COHIBA Cigar

36. I was fascinated to learn of the word cohiba's link to the Dominican Republic, where we manufacture premium cigars. Our research revealed that a monk named Romanus Pane had sailed to the New World with Columbus on his second voyage. While on the island that is now known as Hispaniola (the island shared by Haiti and the Dominican Republic) Pane learned of a practice of the local Taino Indians of smoking a mixture of native leaves which they called cohiba. D312 is a copy of excerpts from a book about the history of tobacco, which discusses this story (p. 33) and which I recall seeing sometime after we had applied to register the COHIBA mark in the U.S. Because we produced many of our premium cigars in the Dominican Republic, the story of COHIBA's Dominican connection seemed a perfect fit.

37. In 1982 General Cigar launched what we called an "upscale bundle" of cigars using the COHIBA name. Our concept of an upscale bundle was to have product sold in a bundle as opposed to a box so it was positioned in the price and quality niche somewhat below our traditional premium cigars. The cigars themselves, however, were now made by hand so the cigar was also positioned above machine-made cigars and other bundled cigars in terms of price and quality.

38. General Cigar chose to use the upscale bundle because demand for cigars was very soft at the time but we thought there might be an opportunity in the lower end of the premium cigar segment. There was no upscale bundle then on the market. We were not in a

position to make the significant investment required to launch new premium cigar brands at this time, because the demand for new products was very weak.

39. The cigars were physically sold in a large plastic cylinder that had the COHIBA story and its tie-in to the Dominican Republic displayed prominently. The COHIBA story was put together by John McLoughlin, an employee whose specialty area was packaging and design. As part of the tie-in with the story of Romanus Pane and the discovery of tobacco, the cylinder prominently featured the scene of a monk learning of tobacco from the native people of Hispaniola. D286 is an example of the packaging for these cigars.

40. The product was distributed nationwide. Company records show that between 1982 and 1987 General Cigar sold hundreds of thousands of these bundled COHIBA cigars.

41. The product, however, was never a commercial success. The cigar market generally continued to deteriorate during this time and the upscale bundle concept did not work in the marketplace.

42. I was never really happy with the approach we employed in the 1980s. I was very interested in coming out with a much better cigar using the COHIBA name, as a fully “premium” cigar, but market conditions in the 1970s and 1980s were poor, at best. During those years, the cigar market was generally in decline and was dominated by machine-made cigars.

Decision to Reposition Our COHIBA as a Premium Brand

43. Beginning in the late 1980s, General Cigar began to look into how it might make better use of its COHIBA brand.

44. I saw the brand as something that with proper marketing and an exceptional product could be as successful as Macanudo and Partagas, our best-selling premium brands. Toward that end, General Cigar began exploring ways to reposition the brand by

marketing it in the higher-end premium segment in conjunction with the Cuban COHIBA trade dress, or elements of it, the way we marketed our other Cuban-origin brands. Our goal was ultimately to market a super-premium, very expensive cigar manufactured from a unique blend with a robust flavor. I thought that COHIBA might be a brand that General Cigar could do something exciting with and re-energize the then-lackluster cigar market.

45. The difficulty was coming up with the right taste and marketing approach in what was still a very bad market for cigars. Many cigars then on the market had a similar taste. We wanted the new COHIBA to be really special, something that would make consumers take notice.

46. I recall participating in a number of conversations and meetings during this time period regarding how General Cigar might best use the brand. I am also aware that others who were more involved in the day-to-day management and marketing at Culbro's General Cigar division had many more conversations about this subject.

47. The decision making process employed by General Cigar at this time was not particularly formal or buttoned down with a lot of memos. Several people at the company, including among others David Burgh, then-President of General Cigar, John Rano, then-Vice President of Marketing; Bob Lilienfeld, then-Vice President of Premium Cigars; my father and myself, participated in a lot of meetings and conversations, some ad hoc, to develop the company's marketing approach for different brands, including COHIBA.

48. Applying the approach we used to market other Cuban-origin brands to COHIBA presented certain challenges. Other such brands, like Partagas and Montecristo, were known in the U.S. from the time before the embargo. COHIBA, in contrast, was virtually unknown here during this time. A Cuban COHIBA cigar had never been sold in the U.S. so

those few who were even aware of its existence could only have discovered it while traveling abroad. We were starting from scratch but we thought it made sense to try to use a trade dress similar to the one Cubatabaco used for its COHIBA cigars, because we and others marketed all our Cuban-origin brands with a trade dress like the one used by their Cuban counterparts.

49. As I explain in detail below, the process that led to the development of our current, super-premium COHIBA cigar began in the late 1980s with a series of discussions with our attorneys about whether we could register and use the Cuban COHIBA designs in conjunction with our COHIBA cigars in the U.S. The process continued in 1992 when we introduced a transitional, premium COHIBA cigar which we sold at Dunhill stores. At the same time, we began developing a truly special blend for a higher-end, super-premium COHIBA cigar and hired a graphic designer to work on possible designs to market that cigar. It continued further in 1993, when we asked the exclusive distributor of Cuban cigars in the United Kingdom to approach Cubatabaco on our behalf in order to try to arrive at an understanding that would allow General Cigar to use Cubatabaco's COHIBA trade dress on our COHIBA cigars in the U.S.; and asked our advertising agency to work on a campaign that we could use to re-launch the new super-premium COHIBA we hoped to develop.

Advice of Counsel

50. I was not directly involved in our discussions with outside counsel during this period, which I believe were handled primarily by Ron Milstein, then General Cigar's Assistant General Counsel. My understanding was that General Cigar's outside counsel ultimately advised us that we could not use the Cuban COHIBA trade dress, or elements of it, without getting permission from Cubatabaco because it had registered the trade dress in the U.S. in conjunction with other word marks in the 1980s. We followed that advice.

51. In the early 1990s, we also asked our outside counsel to conduct trademark searches in a number of foreign countries, to see if COHIBA and several other brands, including other Cuban parallel brands, were available. We intended to register those brands in the countries where they were available. I recall that we did end up registering COHIBA in some former Soviet-bloc countries sometime in 1993 or thereafter.

Introduction of the Transitional Premium COHIBA Through Dunhill in 1992

52. In late 1992, General Cigar made the decision to relaunch COHIBA as a transitional, premium cigar on a limited scale through Dunhill. General Cigar had previously launched some of its other new products through Dunhill because we have a very good relationship with the company and because of its position as a very prestigious, upscale retailer. Dunhill was also the only cigar retailer with a truly national reach with stores in New York, Chicago, Dallas, Atlanta and several other major metropolitan areas at the time. In essence, Dunhill sold to the consumers whom we wanted to buy our cigars.

53. The COHIBA cigar launched through Dunhill in 1992 was intended as a transitional premium product, while General Cigar developed the super-premium cigar I had envisioned since 1978 to be sold under the COHIBA name. We were committed to creating a very special cigar, but we also needed to have a cigar in the marketplace to maintain the company's rights in the mark.

54. During this litigation, I was deposed on three occasions over the course of four days. I was asked many questions, some of them over and over again. I reviewed the transcripts of my deposition in preparing for my trial testimony. During my deposition I was asked numerous questions about the length of time it would have taken to market a premium cigar such as the one we sold through Dunhill in 1992. I indicated that I believed it would have taken more than three months from the preparation of the cigar to the launch at Dunhill. That is

because ordinarily when General Cigar launches an entirely new product, work begins many months in advance. There are significant challenges in terms of developing and aging the blend, the marketing, the packaging and the distribution. However, having reviewed documents from that time period in preparation for my trial testimony, it is clear that we did bring the COHIBA we sold through Dunhill in 1992 to market in less than three months. Because that cigar was a transitional product, and we had a blend already in hand that was adequate for that purpose, it makes sense that it would have taken less time than usual to take to market.

55. The documents suggest that on October 27, 1992, we ordered our factory in the Dominican Republic to prepare 3,600 COHIBA premium cigars, the first of these cigars to be shipped to Dunhill stores in ten U.S. cities. D316 is a true and correct copy of the order from General Cigar to its factory requesting that these cigars be manufactured and shipped to Dunhill. On November 20, 1992, General Cigar sent its first invoice to Dunhill for this first shipment of cigars. D234 is a true and accurate copy of this invoice.

56. The COHIBA that General Cigar sold through Dunhill starting in 1992 was packaged without a band in a very simple but high quality box with the COHIBA name embossed on the lid and the name of General Cigar's importing company on the bottom with the words "made in Dominican Republic." D287 is an example of the box. We did not market the cigar with a band because the brand image was in transition, we did not wish to commit to a band with a particular design on it. While most cigars are sold with a band today, General Cigar has sold other cigars without bands. For example, the Macanudo Vintage No. 4, which is my father's favorite cigar, was sold without a band during this time period. Other examples include the Canaria d'Oro Rothschild and Punch and Hoyo de Monterrey Rothschilds.

57. The COHIBA cigar sold in the early 1990s was made of the same blend of tobacco as that sold under the Temple Hall brand. The Temple Hall cigar was manufactured in Jamaica at that time, but we manufactured COHIBA in the Dominican Republic. Our COHIBA cigar was sold in several sizes that were different than the sizes we used for Temple Hall. D316 shows that we manufactured these premium COHIBAs in three sizes, two of which (Coronas Especiales and Esplendido) were not used for our Temple Hall brand. It is not unusual to use the same blend for more than one brand. For example, there was a time when we used the same blend for Partagas and Ramon Allones, although that is no longer the case.

58. The Temple Hall was a premium cigar with a long history with the company. We bought Temple Hall along with Macanudo in 1968. These two brands were General Cigar's first efforts in the premium cigar business. Macanudo, of course, has become the most popular premium cigar in the U.S. Temple Hall was, and is, a high quality premium cigar the equal of Macanudo. It had a richer flavor than Macanudo and, in that respect it was a good choice for our transitional COHIBA cigar, because we hoped to develop a new COHIBA blend that was flavorful and robust. Indeed, in 1992 Temple Hall cigars sold for the same price as Macanudo cigars. Although still not what I envisioned, the cigar sold under the COHIBA label starting in 1992 was a premium cigar in every sense of the word. I doubt Dunhill would have agreed to sell it if it were not.

Milstein and Mayer Trip to Havana

59. In 1992, shortly after we had ordered our factory to begin manufacturing our new transitional COHIBA premium cigars, two employees of General Cigar, Ron Milstein and Alfons Mayer, attended the 500th anniversary celebration of the European discovery of tobacco, which was held in Havana, Cuba. The trip provided an opportunity for our executives

to learn more about conditions in Cuba, including in the Cuban cigar industry, and to network with attendees.

60. I do not remember giving any specific instructions to Ron Milstein. After he returned, he reported in detail on many aspects of his trip, including his discussions with the Cubatabaco representatives about the COHIBA name and trade dress. I was glad that he and Alfons Mayer had had friendly conversations with the Cubatabaco executives, because General Cigar always intended to have as good relations as possible with Cuban cigar officials. When I learned that Cubatabaco had not expressed any interest in working something out with General Cigar regarding our possible use of the trade dress, I resolved to pursue this further.

61. We tried to find a way to persuade Cubatabaco that it would be in everyone's ultimate interest for General Cigar to use the Cuban COHIBA trade dress in conjunction with our COHIBA word mark in the U.S. We thought that if we could market a great premium cigar under the COHIBA name and develop a strong identity for the brand in the U.S., then when the embargo eventually ended both sides could benefit. General Cigar could distribute a Cuban COHIBA to U.S. consumers who by then would know about and have a loyalty to the U.S. version of that brand. We could continue selling our Dominican cigar as well. We obviously had no way of knowing who would own the Cuban COHIBA but whoever the owner was after the embargo ended could have a potential consumer base for the brand already built up by General Cigar, and could work with General Cigar to market the Cuban version in the U.S. As discussed later in my testimony, we later attempted to pursue further discussions along these lines with Cubatabaco through an intermediary.

General Cigar's Application to Re-register the COHIBA Mark

62. As indicated previously, I was not directly involved in our discussions with our attorneys regarding our consideration of possible use of the Cuban COHIBA trade

dress. I also have no recollection of our decision to file an application to re-register our COHIBA mark in December 1992 on the advice of our attorneys, although apparently I was copied on a memo from Ron Milstein attaching Morgan & Finnegan's advice recommending this re-registration.

Launch of Cigar Aficionado

63. I met Marvin Shanken shortly after his company, Shanken Communications, leased space in the building General Cigar owns. General Cigar advertises in Cigar Aficionado and Wine Spectator, which he publishes. We are also business acquaintances.

64. I spoke with Marvin Shanken about his plan to launch a cigar magazine. While I welcomed anything that would add life to the then moribund cigar industry, my initial reaction to his concept was that it would fail.

65. I did not see any of the content of the magazine prior to the release of the premier issue, nor did Mr. Shanken discuss the specific topics that he planned to cover before the release of the premier issues. Based on my review of documents produced in this case, I understand that there were two first issues, one for the U.S. and one for foreign markets.

66. I have a general recollection of reading the first U.S. issue and enjoying the articles, but I was still skeptical about whether the magazine would succeed and whether consumers would read it. I do not recall noticing the article about COHIBA at the time, although I am sure I must have seen it. In preparation for trial, I reviewed a number of documents regarding the sequence of events between 1989 and 1992. I know that General Cigar had wanted to market a successful premium cigar under the COHIBA name since applying to registering it in 1978. It seems clear to me that the premier issue of Cigar Aficionado accelerated General Cigar's efforts both to bring the transitional, premium COHIBA into the market in 1992 and to develop the super-premium COHIBA that we launched in 1997, as described below.

67. I have reviewed the transcripts of my depositions. At the March 6, 2001 session, I indicated that my feeling was that the Cigar Aficionado article about COHIBA was not an influence on our decision to launch the premium COHIBA. As I clarified in my August 1, 2001 deposition, the magazine article may have spurred the 1992 re-launch, but it was not what motivated our efforts and desire to re-launch our COHIBA brand using a unique premium cigar—those efforts and that desire long predated the publication of the article.

68. I do not believe that there was very much awareness of Cuban COHIBA cigars in 1992 in the U.S. In my experience as an executive in the U.S. cigar industry, the Cuban COHIBA was not really known in the U.S. until around 1995 or 1996 at the earliest. Obviously, a cigar does not become known overnight, so its renown grew over time.

69. D5 is a copy of a survey that was in General Cigar's files. It was conducted on behalf of Marvin Sharken before he launched Cigar Aficionado. Sharken Communications provided General Cigar with a copy of this document. I now recall that we provided our mailing list to them, and in exchange we received a copy of the results. The handwriting on page GC014277 noting with respect to "Cuban awareness of Americans" that "Cohiba [has] very low awareness" is that of Austin McNamara, who was hired as our Vice President of Marketing in February 1993, as discussed below. I recall giving Mr. McNamara a copy of the survey, but I do not recall any specific conversations with him about it.

70. The Cuban COHIBA may have been known in Europe or elsewhere outside of the U.S. in 1992. In my position with General Cigar I have often traveled to foreign countries on business. In the 1970s and early 1980s I attended the annual tobacco auctions in Paris to purchase the Cameroon tobacco used in General Cigar's Partagas cigar. On these trips I sought out tobacconists to see what was being smoked and to try Cuban cigars. I did this to see

what those cigars offered in terms of taste, construction and experience. During these trips to Paris I do not recall ever seeing COHIBA cigars even though I made it a point of smoking a wide variety of Cuban cigars. This experience was similar in the other European cigar capitals, including London and Geneva. It was not until sometime in the late 1980s or early 1990s that I even saw COHIBA for the first time for sale in Europe.

71. I do not recall Cubatabaco promoting COHIBA in the international marketplace before 1992 though I believe it had been introduced in Spain, France and England by 1990. Until about 1991 the super-premium, most expensive line of Cuban cigars was the Davidoff brand, which was distributed by Davidoff of Geneva. About that time, Cubatabaco and Davidoff had a falling out and Davidoff ceased selling cigars made with Cuban tobacco. Subsequently the Davidoff brand was reformulated with non-Cuban tobaccos and made in the Dominican Republic. It was at the time that the Davidoff brand of Cuban cigars was no longer available that the Cuban COHIBA became more widely available internationally, in those countries where Cubatabaco owned the mark. It is clear to me that Cubatabaco decided to position COHIBA as a substitute for their loss of the Davidoff brand.

72. I recall being upset at Marvin Shanken for putting so much emphasis on Cuban cigars in his magazines. I thought it was wrong to promote so heavily products that could not be purchased legally in the U.S. in a magazine primarily targeted at the U.S. market. This focus on Cuban cigars was consistent with a general approach that Mr. Shanken took in his publications, including Wine Spectator and later Cigar Aficionado, of offering "inside knowledge" about obscure, hard-to-find or unobtainable brands. His magazines often feature and promote relatively unknown brands of wine or cigars while often de-emphasizing better-known brands. For example, in addition to introducing COHIBA to readers of the magazine's

first issue, in later issues Cigar Aficionado highlighted other brands that were relatively unknown at the time, such as La Gloria Cubana, Fuente and Padron, but not Macanudo, which is the nation's most popular and well-known premium cigar. Likewise, I recall articles in Wine Spectator about little-known wines such as Screaming Eagles and about the chef Alain Ducasse before he had become famous. In this way, both publications were positioned as magazines for insiders or aficionados, which let their audiences "in" on Mr. Shanken's discoveries. It was a successful approach, but one that relied upon the formula of creating an aura of mystery or exclusivity around these otherwise obscure brands.

73. I do not believe that the article in the premier issue of Cigar Aficionado significantly increased the awareness of the Cuban COHIBA in the U.S. It was the first issue of the magazine. My recollection is that, like any new magazine, it took time for readers to accept it as a source.

74. I do believe that Cigar Aficionado had a significant role in the gradual building of the wave of interest in cigars that became the cigar boom of the mid to late 1990s. For the first time, cigars were being smoked in a very public way by very public figures. By depicting celebrities who smoked cigars, Cigar Aficionado put an appealing light on the pastime of smoking premium cigars.

Discussions with Nicholas Freeman

75. In 1993, Nicholas Freeman was the managing director of Hunters & Frankau, which then owned exclusive rights to distribute certain Cuban cigars in the United Kingdom. General Cigar approached Nick Freeman because he had a good relationship both with us and with Cubatabaco. I thought he could be an effective go-between for any negotiations regarding General Cigar's interest in a license to use the Cuban COHIBA trade dress in the U.S. At this time, we were also interested in working with Cubatabaco to develop a post-embargo

position on the sale of the Cuban COHIBA and our other Cuban-origin brand names in the U.S. My goal was to establish a dialogue with Cubatabaco on these and other issues through Nick Freeman.

76. Ron Milstein and David Burgh were asked to follow through with Nick Freeman. Mr. Milstein sent a memorandum to me, my father, and Mr. Burgh on about January 14, 1993 describing our strategy to try to convince the Cubans to agree to allow us to use their trade dress. It appears to be talking points in which we obviously evidence respect for their efforts and success with their brand outside the U.S. The date listed on the memorandum is January 14, 1992, but I believe that is a typographical error. D283 is a copy of that memorandum. As the memorandum indicates, we hoped that post-embargo we could either enter into a joint venture, or offer a license on our COHIBA name to Cuba in exchange for exclusive distribution rights for Cuban COHIBA cigars in the U.S. I thought the proposal would be a good business move not only for General Cigar, but also for Cubatabaco. General Cigar could offer Cubatabaco its name and reputation in the U.S., its marketing and sales expertise, its existing distribution networks, its clout in the U.S. cigar industry, and its unique position in the premium segment in the U.S.

77. Mr. Milstein and Mr. Burgh met with Nick Freeman in London later in January 1993. Based on reports they gave to me, I viewed that meeting as a good start.

78. In February 1993 I met with Nick Freeman in New York. At this meeting I expressed General Cigar's interest in ultimately re-launching General Cigar's COHIBA as a super-premium cigar using the Cuban COHIBA trade dress. I suggested to Nick Freeman that it would be helpful if he would discuss the licensing issue with Francisco Padron, the head of Cubatabaco at the time, during his next visit to Cuba.

79. In the fall of 1992, the company had hired a graphic designer. I was not closely involved in the designer's work. I am aware that he was generally charged with exploring different proposals from a near replica of the Cuban trade dress to something merely evocative. I saw a few of those proposals. As I recall, our goal with the designer was to have various trade dress proposals to present to Cubatabaco, if discussions got that far. I believe we may have presented some of these designs to Mr. Freeman with the suggestion that he show them to Cubatabaco.

80. The only issue I asked Nick Freeman to discuss with Cubatabaco was the use of the trade dress since General Cigar already owned the U.S. trademark to the COHIBA. Mr. Milstein's report of his conversation with Mr. Garrido of Cubatabaco made clear that Cubatabaco acknowledged that.

81. Later I sent a letter to Mr. Freeman that described our ideas for the trade dress we might use for COHIBA and asked him to speak with Francisco Padron at Cubatabaco to get his reaction. D44 is a copy of my April 20, 1993, letter to Nick Freeman.

82. I do not recall what happened after our meeting and my follow-up letter.

Sales of Transitional COHIBA Between 1992 and 1997

83. Dunhill had an exclusive on our COHIBA cigars until the end of 1993. At that time, General Cigar started to sell COHIBA cigars through a second retailer, Mike's Cigars, which was then located in Miami Beach, Florida and had a nationwide mail order business. The owner of Mike's Cigars is Oscar Boruchin, the man who introduced the COHIBA name to me back in the late 1970s. My recollection is that General Cigar wanted to show Oscar Boruchin respect by extending the exclusive on COHIBA to him.

84. In the final two months of 1992, General Cigar shipped over 5,000 COHIBA cigars. Exhibits D234 and D235 are true and correct copies of invoices reflecting these shipments.

85. In 1993, General Cigar shipped approximately 50,000 COHIBA cigars. D236 contains true and correct copies of sales records reflecting these shipments.

86. In 1994, General Cigar shipped approximately 49,000 COHIBA cigars. D288 contains true and correct copies of sales records reflecting these shipments.

87. In 1995, General Cigar shipped approximately 101,000 COHIBA cigars. D289 contains true and correct copies of sales records reflecting these shipments.

88. In 1996, General Cigar shipped approximately 96,000 COHIBA cigars. D290 contains true and correct copies of sales records reflecting these shipments.

89. During the first three months of the 1997 General Cigar sales year, General Cigar shipped approximately 27,000 COHIBA cigars. D251 contains true and correct copies of sales records reflecting these shipments are attached as D251. During the several months leading to the launch of our new super-premium COHIBA cigar (discussed below), we chose not to ship any of our premium COHIBA cigars, in order to ready the marketplace for our new COHIBA line.

Cubatabaco's Public Statements in the Early 1990s

90. I recall reading two interviews with Francisco Padron that appeared in the Spring 1993 and Spring 1994 Issues of Cigar Aficionado. D72 and D73 are copies of these articles. Mr. Padron, who was the head of Cubatabaco, stated that Cubatabaco did not care about ownership of the historically Cuban brand names in the U.S. These statements were Cubatabaco's acknowledgement that General Cigar's ownership was not in dispute.

91. Mr. Padron also stated, “they must pass the brands to us.” (D72 at 43). I interpreted this to mean that Cubatabaco knew other companies, like General Cigar, owned those marks in the U.S. I was pleased to see his statement that “we’re not going to fight with someone else because he owns the brand name of COHIBA in America.” (D73 at 78.) I, of course, had no interest in fighting with Cubatabaco. I knew that General Cigar owned the mark in the U.S. and Cubatabaco owned it in Cuba.

92. Mr. Patron also made clear that Cubatabaco did not care about individual brand names, which further confirmed my understanding that Cubatabaco recognized General Cigar’s ownership of the COHIBA mark in the U.S. He said: “We want to have Habano cigar, not a brand name. It doesn’t matter if it is Bolivar, Montecristo or even Cohiba,” and that the “most important thing” to Cubatabaco was the Habanos “umbrella that can cover all the brand names.” (D72 at 42.)

93. I also believed that Cubatabaco lacked any interest in the COHIBA name in the U.S. due to their registration of the trade dress in the U.S. under a different brand name.

Development of the Super-Premium COHIBA Ultimately Introduced in 1997

94. In February 1993 General Cigar hired Austin McNamara as Vice President of Marketing. This was a result of my determination that the company needed to be revitalized and needed new ideas to challenge the then-stagnant conditions in the industry. Mr. McNamara was hired after a search for more energetic management that would bring more of a consumer focus to our operations.

95. Mr. McNamara came to General Cigar from the food division of Chiquita Brands. Previously he had been with Proctor & Gamble and an advertising agency subsidiary of Saatchi & Saatchi. My expectation when Mr. McNamara was hired was that shortly after

learning the business he would be promoted, and he in fact became the President of General Cigar in January 1994.

96. Mr. McNamara was a very marketing-focused individual. He brought a number of fresh ideas into the company and a great deal of energy.

97. As I said above, we have wanted to create a truly unique and special cigar under the COHIBA mark since it was first registered by General Cigar in 1978. This had always been my goal, and after my disappointment in General Cigar's 1980s effort, I wanted it to be done right.

98. "Doing it right" meant creating a cigar with a very pleasurable taste that was different than anything else on the market. Through most of the 1990s many of General Cigar's premium cigars had a similar taste. Part of the charge given to Austin McNamara when he came to the company in 1993 was to create exciting new tastes and blends.

99. This charge was given within the context of how General Cigar does business. We were not willing to rush out new products using inferior materials just to achieve our goal of getting a new cigar out. I wanted any new General Cigar product to live up to the company's reputation of producing the finest cigars.

100. Although the cigar boom and especially the growth of the premium segment in the mid-1990s made it a terrific time for us to introduce a new super-premium cigar, ironically General Cigar's efforts to introduce the super-premium COHIBA were stymied by the lack of tobacco caused by that boom. The tremendous growth of the cigar industry in the 1993 to 1997 era created a shortage of useable tobacco. This shortage eventually eased as more tobacco became available. Because of the time it takes to grow, harvest and age tobacco, as well as make and age the cigars, it took a little over two years for the industry to begin to catch up to

demand in the mid 1990's. We did not want to release a new cigar line during this time of incredible shortage as the company was unable to supply its customers with existing cigar lines. I believe our retailers and distributors would have been very angry knowing that we were not meeting our existing commitments due to a lack of tobacco but we were able to introduce a new line.

101. General Cigar made a conscious decision in 1995 to put off the launch of the super-premium COHIBA due to a lack of access to tobacco. In fact, Austin McNamara advised me and my father that it was simply not practical to pursue development of the super-premium COHIBA in 1995 due to the lack of raw materials.

102. The April 3, 1995 memorandum from Austin McNamara to myself and my father designated as exhibit D253 reflects Mr. McNamara's advice. D253 is a memorandum created and kept in the normal course of business at General Cigar, consistent with our regular business practices, and is based on Mr. McNamara's personal knowledge. Based on the advice contained in the memorandum, we determined that COHIBA was too special of a product not to do right. We concurred with Mr. McNamara's suggestion that we wait until 1996 when additional tobaccos would be available.

103. In 1996 supplies of tobacco were starting to become more plentiful and the company started to get closer to a super-premium blend for COHIBA. We considered a number of ideas in terms of the blend and the marketing approach.

104. D22 is a copy of General Cigar's 1997 Marketing Plan. This document identifies the company's marketing goals for the fiscal year 1997, which ran from December 1, 1996, to November 30, 1997. While the document is undated, I believe it must have been created in the fall of 1996. Our marketing plans are (and were) generally prepared prior to the

start of the sales year. The marketing plan identifies the 1997 Retail Tobacco Dealers Association (“RTDA”) convention as the target for introduction of a new COHIBA super-premium cigar.

105. I was disappointed that it had taken so long to get the cigar to market but I wanted us to get the blend and marketing correct. I wanted to create a smoking experience that was really something special to the consumer. The company was also very busy dealing with the incredible demand for its other products.

106. I believe we chose the blend for our super-premium COHIBA sometime in 1996 or 1997, though I do not recall precisely when that occurred. We ended up choosing a blend composed of a Cameroon wrapper, Jember binder, and Cuban seed filler tobacco from the Dominican Republic. “Cuban seed” refers to “Piloto Cubano,” which is a type of Dominican tobacco whose seeds trace their genetic origins to tobacco grown in Cuba hundreds of years ago. It is common in the industry to advertise cigars sold in the U.S. as having been manufactured with Cuban seed. Because Cuban cigars cannot legally be sold in the U.S., most premium cigar smokers are familiar with what we (and other U.S. cigar companies) mean by “Cuban seed.”

107. Sometime in January 1997, while General Cigar was in the midst of planning for the re-launch of COHIBA and the introduction of our new super-premium cigar, I learned that Cubatabaco had filed a petition with the PTO to cancel General Cigar’s ownership. I was very surprised to hear about this and did not understand why Cubatabaco would have done such a thing.

108. After Cubatabaco filed its petition, I took it upon myself to try to open a dialogue with them, in order to persuade them that it was in both parties’ interests for General Cigar to continue developing its own Dominican-made COHIBA brand in the U.S. while the

embargo was in place, for the reasons I explained above in connection with our general parallel brand strategy. To that end, after receiving advice from counsel on what was permissible under the embargo at my request Francisco Linares, president of Cubatabaco, met with me in Spain in June 1997 to discuss a possible resolution on COHIBA. We had further discussions in the fall of 1997, before Cubatabaco filed this lawsuit. Unfortunately, however, these discussions never led to any resolution of the dispute between General Cigar and Cubatabaco.

109. Shortly before the 1997 RTDA convention we finalized the packaging and advertising approach to the super-premium COHIBA. We chose a packaging approach that was unique and striking. The band was done in a simple and striking style with a bold splash of red in the center of the “O.” I was particularly fond of the red because it really stood out on the label and because it evoked the sight of the burning end of a lit cigar.

110. The cigars were placed in a finely finished wood box which prominently displayed the “red-dot” logo. D177 is an example of such a box. Inside, the cigars were packed with a piece of velum stock that we call a “flyleaf.” The flyleaf sets out the story of the name COHIBA including the name’s connection with the Dominican Republic, where it is made. The flyleaf also tells about the mixture of tobacco that is used to create the COHIBA. D34A is an example of the flyleaf. The box and flyleaf each indicate that the cigar is made in the Dominican Republic.

111. We chose the “red-dot” packaging in order to create an individual and eye-catching but still elegant look for the COHIBA. Because General Cigar had been unable to reach an agreement on the trade dress with Cubatabaco, the company knew that whatever packaging it employed had to go in a different direction. I ultimately made the decision to avoid any connection with the trade dress of the Cuban COHIBA.

112. There was an active debate within the company prior to our introduction of our super-premium COHIBA as to whether we should use a marketing approach that called Cuba to mind, or instead one that created an image of a new, special, Dominican cigar like no other cigar then on the market. Some people at the company, particularly those in the marketing department, expressed a strong interest in using a yellow dot in order to make use of the growing awareness of the Cuban COHIBA. I liked the red better, and this decision was also approved by our lawyers. Today it is the red dot on the COHIBA label that captures people's attention and is the centerpiece of the trade dress.

113. The final marketing materials we prepared, including those sent to our retailers, exemplify our decision not to market our COHIBA based on any link to the Cuban COHIBA. For example, D317 is a true and accurate copy of an internal document from September 1997 describing our launch planning. It indicates (p. GC004749) that our "Brand Position" goal was for COHIBA to be "The most prestigious, sought after cigar in the market. Truly a world beyond other cigars." D68 is a true and accurate copy of materials sent to our retailers. It emphasizes that the super-premium COHIBA is "grown from Cuban seed, 'Piloto Cubano' grown in the Dominican Republic," with "'Jember' binder" and "the highest grade African Cameroon" wrapper (p. MC00954). This document further notes: "No confusion with Cuban or illegal counterfeit COHIBA cigars"; "[b]old clean graphics with the use of red representing the lit end of a cigar"; "[e]stablishes our Dominican COHIBA with its own identity" (p. MC 00955).

114. As the super-premium COHIBA was a very important product for General Cigar, the launch was also something special. The initial launch occurred at two special events in New York and Miami. We used Dunhill and Mike's Cigars for our exclusive launch retailers.

After a period where Dunhill and Mike's Cigars had an exclusive on COHIBA, the cigar was rolled out to only those upscale retailers that met the highest standards of presentation, employee training and experience.

115. In addition, COHIBA received an unprecedented level of advertising support. The advertising campaign was not only broader and bigger than anything General Cigar had previously done for a premium cigar but it was much more mood driven than other cigar advertising. The advertising employed very high quality, very evocative imagery to create a mood. The goal was not just to market a new cigar but to propose COHIBA as part of an entire lifestyle. The imagery from the advertising was then carried over into in store displays to further reinforce the image of COHIBA and the lifestyle that surrounded it. The strategy was an extension of what we had explored in the early 1990s and employed the sophisticated, Caribbean feel of the 1950s that I now know McCaffrey Ratner had first proposed to our marketing department in 1993. D259 is an advertisement we placed in Cigar Aficionado when we began selling our super-premium COHIBA.

116. The imagery employed was more of the type usually used to sell perfume or other luxury goods. It was unique to see it employed in a cigar advertisement. The focus was very much on the mood and less on the product.

117. The super-premium COHIBA sold very well. In 1997, over 500,000 cigars were shipped, followed by nearly a million in 1998; 850,000 in 1999. D252 is a copy of General Cigar records reflecting these shipments. We continue to sell millions of super-premium COHIBA cigars to this day, and the brand continues to grow. We have finally realized my vision for COHIBA.

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE
TRADEMARK TRIAL AND APPEAL BOARD**

In the matter of Trademark Registration No. 1147309

For the mark COHIBA

Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273

For the mark COHIBA

Date registered: June 6, 1995

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EMPRESA CUBANA DEL TABACO, d.b.a.	:	
CUBATABACO,	:	
	:	
Petitioner,	:	
	:	Cancellation No. 92025859
v.	:	
	:	
GENERAL CIGAR CO., INC.	:	
	:	
Respondent.	:	
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PARTY DESIGNATIONS*: Petitioner's Designations During Its Trial Period—Yellow or Pink
Respondent's Designations During Its Trial Period—Green
Petitioner's Designations During Its Rebuttal Period—Blue

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

**Designated Federal Action Defendant's Written Direct
Testimony of Harry Marcus, dated June 11, 2003**

* Designations made pursuant to the marking and filing procedure the Board has previously approved, TTABVue Nos. 138, 136, 135, 132, 91 and 89.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EMPRESA CUBANA DEL TABACO d.b.a.
CUBATABACO,

Plaintiff,

v.

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,

Defendants.

Civil Action No.
97 Civ. 8399 (RWS)

**DIRECT TESTIMONY
OF HARRY MARCUS**

Personal & Professional Background

1. I have been a partner at the law firm of Morgan & Finnegan since 1973. I joined Morgan & Finnegan (then called Morgan, Finnegan, Durham & Pine) in 1964 after graduating from New York University School of Law. I currently practice (and have always practiced) intellectual property law at Morgan & Finnegan. I was admitted to the New York state bar in 1965. I have been admitted to the federal bars of the Southern and Eastern Districts of New York; the Second Circuit; the Federal Circuit; and the U.S. Supreme Court. I am currently in good standing with the New York state and federal bars and have been since I was admitted to them.

2. Morgan & Finnegan has represented General Cigar Co., Inc., Culbro Corporation and their affiliates (hereinafter collectively "General Cigar") in trademark matters since before I joined the firm. I have been in charge of the General Cigar account for at least 25 years. Other attorneys at our firm who have worked on matters on behalf of General Cigar include Dickerson Downing, Janet Dore, and Scott Greenberg. Morgan & Finnegan continues to represent General Cigar today, including representing the company in this action.

3. Morgan & Finnegan is being paid for its representation of the company in this action, including for the time spent in preparing for this testimony. My hourly billable rate is \$525.

4. Throughout Morgan & Finnegan's representation of General Cigar, I and my colleagues at the firm who work with the company have had communications, both written and oral, concerning General Cigar's use and registration of its trademarks, including the COHIBA mark. I recall first hearing about COHIBA in connection with cigars in the late 1970s when Charles Sparkes at General Cigar asked Morgan & Finnegan to apply to register the name COHIBA in the class for cigars. In a letter dated February 16, 1978, Mr. Sparkes requested that I prepare a trademark application for COHIBA. D90 is a true and correct copy of that letter. I do not recall having any prior conversations with Mr. Sparkes about COHIBA. He also informed me in that letter that General Cigar's date of first use in commerce of COHIBA was February 13, 1978. At that time, Mr. Sparkes was the employee at General Cigar responsible for its trademark registrations. I dealt with him frequently on trademark issues; through the years, we developed a very good working relationship.

5. Pursuant to Mr. Sparkes' request, Morgan & Finnegan filed the application to register COHIBA with the United States Patent & Trademark Office ("US PTO") on March 13, 1978. D319 is a true and correct copy of this US PTO application. I notified Mr. Sparkes of this filing in a letter dated April 25, 1978, and D91 is a true and correct copy of that letter. Based on my review of the records, the application was published in the Trademark Office Official Gazette for opposition purposes on November 4, 1980, and on February 17, 1981, the US PTO issued a registration to General Cigar for the mark COHIBA in connection with cigars. D94 is a true and correct copy of this registration and it also identifies the publication

date. Neither Cubatabaco nor any other entity opposed General Cigar's application. Prior to 1997, neither Cubatabaco nor any other entity petitioned to cancel General Cigar's COHIBA registration that resulted from that application.

6. Morgan & Finnegan conducted no international trademark search at the time it filed the COHIBA application in 1978. It was not my practice to conduct international searches in connection with marks to be used or registered in the U.S.

7. At various times, between 1989 and 1993, General Cigar sought advice from us on trademark issues related to its possible U.S. use and registration of label designs to be used with its COHIBA trademark in view of the Cuban COHIBA trade dress. As detailed below, in early 1989, neither General Cigar nor Morgan & Finnegan was aware that Cubatabaco had registered with the US PTO the trade dress designs it used for its Cuban COHIBA cigars.

Communications with Ronald Milstein Regarding Use of the Cuban COHIBA Trade Dress

8. On April 4, 1989, Ronald Milstein, Vice President/Assistant General Counsel at General Cigar at that time, informed Morgan & Finnegan that General Cigar wanted to use in conjunction with General Cigar's COHIBA word mark in the U.S., two design marks that had been used by Cubatabaco on its COHIBA cigars outside the U.S.; he asked us to prepare U.S. trademark applications for the designs, provided that in our opinion it did not present a problem. D256 is a true and correct copy of this letter and its attachments. At the time, Morgan & Finnegan was not aware that Cubatabaco owned a U.S. registration for the word mark BEHIQUE along with the trade dress then used on its COHIBA cigars sold outside the U.S. On April 20, 1989, we advised Mr. Milstein that it was possible that Cubatabaco had registered the marks referenced in his April 4, 1989 letter and therefore recommended that we conduct trademark searches in the U.S. before General Cigar adopted either of the designs. D279 is a true and correct copy of this April 20, 1989 letter. To cover all theoretical possibilities, we

further advised Mr. Milstein that there was a possibility that if the design marks were well-known in the U.S., then Cubatabaco could possibly object to General Cigar's registration or use of the design marks, even if Cubatabaco's design marks were not registered in the U.S. As the correspondence demonstrates, neither Mr. Milstein nor I believed that the design marks were well-known in the U.S. at the time.

9. After we sent our April 20, 1989 letter to Mr. Milstein, General Cigar instructed Morgan & Finnegan to conduct a search of U.S. trademark registrations owned by Cubatabaco. I do not recall exactly when this occurred. Morgan & Finnegan conducted this search and learned that Cubatabaco owned a U.S. registration for the mark BEHIQUE with a design that was identical to the trade dress that Cubatabaco was using on its COHIBA cigars outside the U.S. This registration had issued on June 2, 1987. On July 6, 1989, we told Mr. Milstein about this registration and advised him that it was sufficient to give Cubatabaco priority rights to the design and that it was doubtful that General Cigar could successfully cancel the registration. D229 is a true and correct copy of this letter. General Cigar never applied to register these design marks and never used the designs as a trade dress for its products.

10. At some point after this, Morgan & Finnegan learned that Cubatabaco owned a U.S. registration for a variant of BEHIQUE, namely BEHIKE, in conjunction with a design that was an updated version of the Cuban COHIBA trade dress. I do not recall precisely when I learned of the BEHIKE registration. However, based on my review of the documents produced in this action, it appears that we were aware of it by the time I drafted the opinion letter in December 1992, discussed in paragraphs 15-20 below. This BEHIKE registration had issued on September 19, 1989. D216 is a true and correct copy of the BEHIKE/COHIBA trade dress registration.

11. Sometime around April 1991, General Cigar asked Morgan & Finnegan to conduct international searches of certain marks, including COHIBA and other Cuban origin brand marks, to determine if anyone owned registrations for these marks in other countries. At the company's request, over the course of the next several months, Morgan & Finnegan conducted searches of these marks in countries that belonged to the European Economic Community ("EEC"). D302 and D303 are true and correct copies of Morgan & Finnegan's request to Edward Evans & Co. to conduct the searches and the Edward Evans response. D300 is a true and correct copy of some of the initial results of this search. D306 is a true and correct copy of a letter from Morgan & Finnegan to General Cigar in June 1991 that contains an additional report on European registrations and D307 is a true and correct copy of a January 1992 supplement to that report. D301 and D304 are true and correct copies of letters from Morgan & Finnegan to General Cigar indicating the progress of the searches and the corresponding status and ownership updates. From the searches, Morgan & Finnegan determined in 1992 that Cubatabaco owned registrations for COHIBA in all of the EEC countries, and we later advised General Cigar of this information in a letter dated February 7, 1992. D301.

12. As General Cigar's trademark counsel, Morgan & Finnegan kept General Cigar apprised of changes in the trademark law. In a May 1991 letter, Morgan & Finnegan reminded Mr. Milstein that the laws regarding the type of use required to maintain the registration of marks in good standing had changed. D318 is a true and correct copy of this letter. In the letter, Morgan & Finnegan advised General Cigar to review its inventory of marks and expedite any plans to resume use of marks that may not have been used in the regular course of business, where the period of non-use had not yet reached two years. Morgan & Finnegan

further advised General Cigar to consider re-registering those marks that may not have been used in the regular course of business for a period of two or more years.

13. In a letter dated December 5, 1991, Morgan & Finnegan updated Mr. Milstein on the U.S. registration status of the COHIBA trademark and Indian head design mark. We confirmed that the only registration for the COHIBA word mark was General Cigar's registration and that the Indian head design was registered together with the word BEHIQUE by Cubatabaco. Morgan & Finnegan advised Mr. Milstein that Cubatabaco's registration of BEHIQUE together with the Indian head design would bar registration in the U.S. by any other party of a mark consisting of the Indian head by itself. D230 is a true and correct copy of this letter. At this time, we also advised Mr. Milstein that Cubatabaco's U.S. registration for BEHIQUE together with the Cuban COHIBA trade dress would come due for an affidavit of either use or excusable non-use between June 1992 and June 1993. Sometime in the fall of 1992, we learned that Cubatabaco had not yet filed an affidavit in connection with its BEHIQUE and trade dress registration. At about the same time, we learned of the application and the registration for BEHIKE, in conjunction with the updated COHIBA trade dress. We did not learn of the BEHIKE registration or its application earlier because the registrant, Empresa Cubana Del Tabaco, was not listed as doing business as Cubatabaco, the name we had previously searched. I believe that we informed Mr. Milstein of these facts as soon as we learned them.

Morgan & Finnegan's December 1992 Draft Opinion Letter

14. In October 1992, Mr. Milstein sought advice on legally permissible label designs which could be used in view of Cubatabaco's COHIBA trade dress registration. It was my understanding that General Cigar was planning to launch a new premium COHIBA cigar in the U.S.; and that it wanted to develop its COHIBA brand using a trade dress consistent with the trade dress used outside the U.S. for the Cuban COHIBA, in the belief that, when the embargo

lifted, this would be beneficial to both General Cigar and Cubatabaco for future marketing of COHIBA brand products throughout the world. D281 is a true and correct copy of the letter from Mr. Milstein asking me to look into this matter.

15. Sometime in the fall of 1992, Mr. Milstein sought a comprehensive legal opinion concerning the respective rights of General Cigar and Cubatabaco regarding the COHIBA word mark and related trade dress in the U.S. In December 1992, we drafted an opinion letter to Mr. Milstein. D83 is a true and correct copy of this draft opinion with slightly redacted copies of its attachments. This opinion letter was never formalized.

16. Consistent with the general advice given in our May 1991 letter, D318, in the draft opinion letter we advised General Cigar to file an application to obtain a new registration for its COHIBA word mark that would not be vulnerable to a possible claim that General Cigar had previously abandoned the mark. To avoid an objection by the US PTO on the ground that the new application was seeking a registration that was duplicative of the existing registration, we suggested that the application seek to register the mark in a stylized form or in block letters. D83. As I explained during my deposition, my statements in the letter that General Cigar only made token use of the COHIBA mark in the 1980s were incorrect. I learned during the course of a prior litigation by General Cigar to enforce its COHIBA mark against GDM, referenced in Paragraph 26 below, that General Cigar had in fact made sales of hundreds of thousands of COHIBA cigars during this period. We were not aware of these sales when we drafted the opinion letter.

17. Prior to drafting the opinion letter, I learned from Mr. Milstein that he had met with Mr. Garrido, a Cubatabaco in-house lawyer, in Havana. Mr. Milstein informed me that he raised with Mr. Garrido the possibility of General Cigar using, for a new General Cigar

COHIBA product in the U.S., the trade dress then employed by Cubatabaco for its COHIBA cigars sold outside the U.S. Mr. Milstein told me that Mr. Garrido recognized that General Cigar owned the COHIBA word mark in the U.S. but that Cubatabaco would object to General Cigar's use of the Cuban COHIBA trade dress on the General Cigar COHIBA product.

18. Based on Mr. Garrido's statements to Mr. Milstein and Cubatabaco's ownership of U.S. registrations for the COHIBA trade dress design marks together with BEHIQUE and BEHIKE, Morgan & Finnegan advised General Cigar not to use any elements of the Cuban COHIBA trade dress. We further advised that General Cigar might be able to modify the packaging of its COHIBA cigars to include one or more elements of the Cuban COHIBA trade dress at a later date, after General Cigar's COHIBA word mark, the primary source-identifying symbol on the package, had established a strong recognition in the U.S. marketplace. D83 at GCP 0088. However, this would depend in part on Cubatabaco's reaction to the use of these trade dress elements. D83 at GCP 0088. As far as I am aware, General Cigar never used any elements of the Cuban COHIBA trade dress on the packaging of its COHIBA cigars in the U.S.

19. Consistent with my practice in providing formal opinions, the opinion letter to General Cigar was conservative and prudent in its advice. We typically advise clients on all the possible litigation risks and lay out a number of options the client could follow to avoid or minimize such risks. Although General Cigar had already received oral confirmation from Cubatabaco that General Cigar owned the exclusive U.S. rights to the COHIBA word mark, we thought it was prudent for General Cigar to obtain written confirmation as well because it would be stronger evidence in the event a dispute ever arose.

20. General Cigar followed the advice of Morgan & Finnegan and filed an application for a second registration of its COHIBA mark with the US PTO on December 30, 1992. D97 is a true and correct copy of the application and our transmittal letter to the US PTO. The mark was published for opposition on April 12, 1994. D244 is a true and correct copy of this notice. Neither Cubatabaco nor any other entity opposed this registration of the mark. On June 6, 1995, the US PTO issued a new registration to General Cigar for the mark COHIBA in block letters. D232 is a true and correct copy of this registration. Prior to 1997, neither Cubatabaco nor any other entity sought to cancel this registration.

21. Sometime in early 1993, Morgan & Finnegan filed applications on behalf of General Cigar to register the COHIBA mark in Russia, Ukraine, Georgia, Czech Republic, Slovak Republic, and Poland based on its December 30, 1992 U.S. application. D305 is a true and correct copy of the letter from Mr. Milstein asking us to file for these registrations. Pursuant to the Paris Convention, General Cigar would have been able to acquire priority to the marks in these countries as of the filing date in the U.S. if it filed within six months of its U.S. application. General Cigar subsequently abandoned its Czech Republic, Slovak Republic, Russia, and Poland applications because it learned that Cubatabaco already owned registrations to the mark in those countries. Registrations issued to General Cigar in the Ukraine and Georgia.

22. At around the same time, General Cigar requested that Morgan & Finnegan arrange for searches to determine whether COHIBA and certain other marks were available in Bolivia, Colombia, Ecuador, Peru and Venezuela. Morgan & Finnegan subsequently determined that Cubatabaco had registered the COHIBA mark in most of these countries, but that it was available in Bolivia. In response to General Cigar's request Morgan & Finnegan

applied to register COHIBA, among other marks, in Bolivia. The registration issued to General Cigar on October 27, 1994.

23. In April 1993, Mr. Milstein of General Cigar sent me several samples for a proposed label for its COHIBA cigars. D85 is a true and correct copy of Mr. Milstein's letter of April 12, 1993 and D85A contains true and correct color copies of these label samples. Mr. Milstein sought advice as to whether any of the samples might cause General Cigar problems with Cubatabaco's design for their COHIBA, since General Cigar wanted to avoid infringement of Cubatabaco's U.S. registrations. I advised General Cigar by rating the various samples based on two criteria: whether they were likely to cause confusion and whether even if they were not, they might provoke an objection from Cubatabaco. My advice to General Cigar is reflected in notes I made on the actual proposals. As shown, I indicated that the striped green version was the "Safe 1st Choice." D85A at GCP 00551. I am familiar with the General Cigar COHIBA trade dress, and to my knowledge, none of the proposed designs was ever used on General Cigar's COHIBA cigars.

Cubatabaco's 1996 U.S. Filing For Its COHIBA Trade Dress Design

24. In August 1996, Cubatabaco filed a U.S. trademark application to register a mark consisting solely of the trade dress design that Cubatabaco uses with its COHIBA cigar products outside the U.S. The COHIBA word mark was not included. Cubatabaco obtained the resulting U.S. registration on March 24, 1998. D217 is a true and correct copy of the US PTO's website entry for this registration.

General Cigar's 1997 Release of the Red Dot COHIBA

25. Morgan & Finnegan also gave advice on the packaging of General Cigar's reformulated cigar in late June 1997. Although I was not personally involved in the discussions at that time, I was aware that General Cigar's marketing group was considering using the color

yellow inside the letter "O" of the word "COHIBA." I discussed with Scott Greenberg, who subsequently attended a meeting at General Cigar, the advice we would provide on this issue. We agreed that Morgan & Finnegan would advise General Cigar that it should not use the color yellow in order to avoid any possible claim by Cubatabaco, even if not valid, that it was attempting to copy the Cuban COHIBA trade dress. General Cigar did not use the color yellow in its packaging of what is now known as its "Red Dot" COHIBA cigar.

General Cigar's Enforcement of the COHIBA Mark in the U.S.

26. General Cigar aggressively protected its U.S. rights in the COHIBA mark. In the 1990s, General Cigar enforced its COHIBA mark against all known infringers. After issuance of its second COHIBA registration, General Cigar recorded the registration with the United States Customs Service. D320 is a true and correct copy of the letter we sent to the customs service. Although little counterfeiting that General Cigar was aware of occurred in the early 1990s, after 1995 General Cigar was involved in a substantial amount of activity communicating with and assisting the United States Customs Service in intercepting infringing imports. General Cigar often retained Morgan & Finnegan to assist with these efforts. D101, D166 and D169 are true and correct copies of correspondence from or to Morgan & Finnegan that contain some of its communications with the United States Customs Service on these matters. General Cigar also sent numerous cease and desist letters to infringing users of the COHIBA mark and their legal representatives. D146, D149, D152, D153, D157 and D170 are true and correct copies of correspondence from or to Morgan & Finnegan concerning its enforcement efforts against infringers.

27. General Cigar brought two lawsuits against infringers of the COHIBA mark, General Cigar Co. v. GDM Inc. and General Cigar Co. v. COHIBA De Dominicana, which resulted in General Cigar reaching successful settlements or obtaining favorable

judgments against both infringers. Morgan & Finnegan handled both of these cases. In the GDM case, this Court granted General Cigar's motion for a preliminary injunction. Cubatabaco did not intervene in that case. In the COHIBA de Dominicana case, which was filed in 1998 while this lawsuit was pending and transferred to the Southern District of New York, Cubatabaco also did not intervene or otherwise participate even though the defendant attempted to bring Cubatabaco in as a party and communicated with Cubatabaco's U.S. counsel, who refused to accept service of a third-party complaint on behalf of Cubatabaco.

* Designations made pursuant to the marking and filing procedure the Board has previously approved, TTABVue Nos. 138, 136, 135, 132, 91 and 89.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EMPRESA CUBANA DEL TABACO d.b.a.
CUBATABACO,

Plaintiff,

v.

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,

Defendants.

Civil Action No.
97 Civ. 8399 (RWS)

**DIRECT TESTIMONY
OF WILLIAM
McCAFFERY**

1. My name is William McCaffery. I am a partner in the advertising agency McCaffery, Ratner, Gottlieb & Lane ("McCaffery Ratner").

2. I graduated from the University of Pennsylvania in 1958, with a B.F.A. in Fine Arts. I also spent a few years at the University of the Arts before I graduated from the University of Pennsylvania. Before, during and for a time after my college years, I was also a jazz musician, and played tenor sax in Chico Hamilton's quintet.

3. After graduation, I went straight to New York. I worked as a freelance graphic designer, then joined Gray Advertising in 1959. In 1962, I established (with John DeGarmo) DeGarmo McCaffery, an advertising firm. In 1972, I became Executive Vice President and Creative Director at Norton Simon Inc., the consumer products conglomerate. In 1974, I joined Revlon as a Senior Vice President and Creative Director. In 1982, I started my own advertising agency, McCaffery & Ratner, Inc., with my wife Sheila McCaffery and Sam Ratner. The agency's name changed to its current form in 1997.

4. Since 1990, McCaffery Ratner has been the advertising agency for General Cigar's premium cigars. We continue to provide services to General Cigar to this day.

A team consisting of me, Sheila McCaffery, Sam Ratner and Warren Pfaff has been primarily responsible for all of McCaffery Ratner's advertising campaigns for General Cigar.

5. I do not recall the precise date, but in late 1992, the four of us from McCaffery Ratner met with David Burgh, who was then General Cigar's President, and John Rano, who was then General Cigar's Vice President in charge of premium cigar marketing. (In my November 9, 2000 deposition, I testified that I thought this meeting occurred in 1993, but after further consideration, I now believe that it took place in the latter half of 1992.) We discussed advertising for General Cigar's premium brands generally. They said that demand for cigars was increasing, and that General Cigar saw an opportunity to introduce a new super-premium cigar, using the name COHIBA. By that time, I probably had seen the premier issue of *Cigar Aficionado*, but I do not recall being aware of COHIBA before that meeting. Burgh and Rano told us that there was a Cuban brand called COHIBA, but that General Cigar owned the right to use the name in the United States.

6. Some time after that meeting, in early 1993, I had another meeting with Burgh and Rano. We talked about how to position COHIBA relative to General Cigar's other premium cigars, MACANUDO and PARTAGAS. MACANUDO was the "benchmark" cigar – the cigar by which all others were measured. Its advertising was focused on the cigar's quality, rather than its history or image. By contrast, PARTAGAS was positioned as a classic Cuban cigar, made by the legendary Cuban exile Ramon Cifuentes, capturing the flavor of old Havana. McCaffery Ratner had coined the tagline, "The Cigar That Knew Cuba When" for PARTAGAS. Based on my conversation with Burgh and Rano, I understood my job to include differentiating COHIBA from these and other cigars.

7. I had no preconceived notions about COHIBA's image other than that it should be different from MACANUDO and PARTAGAS. McCaffery Ratner explored various concepts, ranging from an "Old Indian" image to a more contemporary image. We even thought about spelling the name with a "K" instead of a "C," and writing "(koh-HEE-bah)" to show people how to pronounce it. In trying to develop a brand image from scratch, Sheila came up with the idea of associating romantic mystery with the word "Cohiba." She assembled pictures clipped from magazines and stock photos; it developed into the image of a mysterious man in a tropical, "film-noir" setting. This image was consistent with the campaign we ultimately did for COHIBA in 1997. D259 is a copy of the ad as it appeared in the October 1997 issue of *Cigar Aficionado*.

8. In addition, McCaffery Ratner, with input from General Cigar, also put together a media plan for COHIBA. D67, titled "Cohiba Media Presentation Year I" and dated May 1993, is a copy of that document, which was prepared in the ordinary course of business. As this document shows, our initial idea was to position COHIBA as a "super premium cigar that equals the greatest cigars in the world." [MC 00496] The objectives were to "[g]enerate maximum awareness of Cohiba cigars to build a brand image for the (U.S.) product," "[s]timulate Cohiba sales among current premium cigar smokers," and "[s]upport upscale-image brand position to facilitate a line extension of the brand name into other accessory products." [MC 00499] As the document notes, the actual launch date of COHIBA was not known at that time. [MC 00505]

9. We presented this plan, together with materials relating to other brands, to Austin McNamara, David Burgh and John Rano around May 1993. That was my first meeting with McNamara, who had just joined General Cigar's marketing department. Burgh and Rano

arranged this meeting with McNamara in order to do a total review of the advertising strategies for all of General Cigar's brands, including COHIBA. At that time, I knew that General Cigar had hired a new person in their marketing department, and I was concerned because such a change might result in General Cigar changing their ad agency. I also knew that McNamara had come from Procter & Gamble, which had a very different approach towards marketing and brand strategies. I was therefore pleasantly surprised when, after hearing our presentation, McNamara expressed enthusiasm for the concept we had developed for COHIBA.

10. We then explored various alternative ideas for the brand. Since the actual product was not even formulated yet and the actual launch date was not yet decided, the purpose was to come up with a brand image that we could all get excited about. The idea was to come up with the concept first, and for General Cigar to develop a cigar around it – something that is common in the perfume and cosmetics industry, where both Sheila and I had experience.

11. In June 1993, we prepared a "Cohiba Creative Strategy Statement," which resulted from our explorations. D314 is a copy of that document. (When I was shown this document at my deposition on November 9, 2000, I was not certain if I had seen the document. After further reviewing the documents from that period, I now recall that this was a document prepared at McCaffery Ratner and circulated within the agency on or around June 4, 1993.) The document describes three alternative strategies for COHIBA. One was to "[e]xploit the Cohiba name, with its reputation [sic] as one of the world's finest cigars amongst cigar smokers, to build a brand image for the U.S. product." [MC 00550] By then, someone at General Cigar had advised me that the Cuban COHIBA had a following where it was sold outside the United States, and that it had been given high ratings in *Cigar Aficionado*, so this appeared to be one possible approach. The second strategy was to "[e]stablish Cohiba as a brand name synonymous with the

finest cigars in the world.” [MC 00551] To promote that strategy, we would emphasize the quality of cigars from the Dominican Republic, as opposed to Cuba. The third strategy was to “[i]ntroduce Cohiba as the Premier cigar of the General Cigar family of Cigars.” [MC 00552] This strategy involved emphasizing General Cigar as a leader in the premium cigar market, and positioning COHIBA as the top-of-the-line cigar in General Cigar’s collection. Ultimately, we chose a strategy that combined elements of two and three.

12. This approach of coming up with multiple strategies was required by Austin McNamara, and was different from how we at McCaffery Ratner, until then, had normally put together advertising for General Cigar. McNamara’s approach was to explore every avenue and to leave no stone unturned. D314, and similar documents from that period, such as PX967, PX969, PX970, and PX971, reflected our attempts to do just that.

13. In my November 9, 2000 deposition, I speculated that PX966, an undated document titled “Marketing the Cohiba Cigar,” may have been prepared by either Austin McNamara or John Geoghegan. (Deposition at 32.) I also testified that I do not know who prepared this document, and that I do not recall this document being given to McCaffery Ratner by General Cigar. (Deposition at 29-32.) I now believe that PX966 was prepared by Donna Brunsted, a staff person working in the marketing department at McCaffery Ratner. Donna had no prior experience with cigars. I recall that she was asked to do some research and pull the information together. Indeed, it would be unlikely for a person at General Cigar to send a document to McCaffery Ratner that said “With a first year sales goal of _____ units,” since General Cigar would decide how many units to produce. Also, the person who prepared the document misspelled MACANUDO as “Macanuda” and mistakenly identified it as a cigar that was “originally Cuban” – a mistake that no one with experience in the cigar industry would

make. Also, it would be unusual for someone experienced with cigars to ask “Will there be more than one size?” since virtually all premium cigars are produced in multiple sizes. It is clear that the writer of this document, who I believe was Donna, had very little knowledge about cigars or the cigar industry.

14. In mid to late 1993, we were instructed by Austin McNamara to put the project on hold. McNamara’s focus with us shifted to refining the existing brand strategies for MACANUDO and PARTAGAS. He also felt that General Cigar should continue developing a cigar blend that would match the super-premium image we wanted to create for COHIBA.

15. I do not recall hearing anything from General Cigar about COHIBA again until late 1996. At that time, I received an internal General Cigar document describing ideas about the brand and marketing strategy for COHIBA, which appeared to be based in part on work we had done in 1993. D294 is a copy of certain pages from that document. That document laid out a schedule for developing COHIBA (including the blend) by March 1997, introducing it at the Retail Tobacco Dealers Association (RTDA) meeting on July 28, 1997, and introducing it to the market in September-October 1997. The document also laid out various alternative brand strategies for COHIBA. On page 10, a table listed five alternative brand strategies for discussion: (I) Self Reward, (II) Your Own Man, (III) Scarce and Rare, (IV) Style and Mystique, and (V) Larger than Life. Strategy IV was based on references to Cuba, such as “Cohiba gives you the sense of relaxed elegance and mystery that gave Havana it’s [sic] mystique.” The other strategies did not mention Cuba. Again, this was consistent with McNamara’s approach of exploring multiple strategies.

16. General Cigar continued to explore various concepts for COHIBA, including making references to the Cuban COHIBA. However, by mid-1997, the original

concept our agency had presented in 1992 and 1993, which had no reference to the Cuban COHIBA, was adopted.

17. That concept is embodied by the foldout advertisement that ran in the October 1997 *Cigar Aficionado* (D259). The ad was constructed so that the reader would first see an entrance to a mansion or a hotel, which would fold out to reveal a four-page series of black-and-white photographs featuring a mysterious man in an exotic setting. I was at the shoot for the interior shots used in that advertisement, which were taken at the upstairs bar of Le Colonial, the Vietnamese restaurant at 149 East 57th Street in Manhattan. The exterior shot was of Villa Vizcaya, an Italianate villa in Florida. The mood of the advertisement was film-noir, but transplanted to the present. The concept was to portray a man that the target consumer could identify with and emulate – a man with an air of mystery and a taste for classic clothes; who drinks martinis and French champagne; reads contemporary fiction in English, French and German; and smokes COHIBA. The tagline was “A World Beyond Other Cigars.” The ad copy reads: “Past and present come together in Cohiba. The image is one of another time and place. The spirit is one of here and now. And the rest is up to you.” This was meant to connote an imaginary world, something new and different from anything that the reader has ever experienced. This connotation, which was lifestyle-oriented and not specific to cigars, was intended to position the brand to move beyond cigars. We expected this lifestyle-oriented advertising would resonate with what we understood to be typical *Cigar Aficionado* readers – high-income men aspiring to live the good life.

18. I was also consulted about the trade dress for General Cigar’s COHIBA, and was involved in selecting the “Red Dot” logo. General Cigar sought input from me and Ira Levy, the former head of packaging at Estée Lauder, about the packaging for COHIBA. We

knew that the advertising for COHIBA would be in black-and-white, but we needed some color. General Cigar had been considering using various colors in COHIBA's trade dress, including yellow, gold, brown and red. However, Ira and I thought that red clearly stood out best against black-and-white.

19. COHIBA was introduced at launch parties in September 1997 in New York and Miami. Sheila and I got the idea for the launch parties based on our experience in the cosmetics industry. We gave away "Cohiba Red" lipstick and nail polish as party favors, and served "Cohiba Red" wine. Sheila came up with the idea for the lipstick and nail polish, and I designed the wine labels. The entertainment included music from my friend Chico Hamilton, the jazz singers Kenny Rankin (who also acted as the emcee) and Vanessa Shaw, the latin musician José Alberto, and the dance troupe of Mercedes Ellington (the granddaughter of Duke Ellington). In the New York party, we had a tango demonstration by the dancers from the Broadway show "Forever Tango." We also had video monitors playing clips of American movies from the 1930s, 40s and 50s, showing actors like Humphrey Bogart and George Raft smoking cigars. By having these expensive and elaborate launch parties, we wanted to create a sensation surrounding General Cigar's COHIBA brand.

20. McCaffery Ratner also created in-store displays that we distributed to cigar stores that were selling COHIBA. Such in-store displays included rattan frames with photographs from the ad campaign, small tables made of bamboo (like the one in the foldout ad) which were made in the Philippines, and various props.

21. The amount of the entire COHIBA launch advertising and promotional campaign, including all of the costs associated with the launch parties and follow-up advertising, was in excess of \$2 million.

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE
TRADEMARK TRIAL AND APPEAL BOARD**

In the matter of Trademark Registration No. 1147309

For the mark COHIBA

Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273

For the mark COHIBA

Date registered: June 6, 1995

	X	
EMPRESA CUBANA DEL TABACO, d.b.a.	:	
CUBATABACO,	:	
	:	
Petitioner,	:	
	:	Cancellation No. 92025859
v.	:	
GENERAL CIGAR CO., INC.	:	
	:	
Respondent.	:	
	:	
	:	
	X	

PARTY DESIGNATIONS*: Petitioner's Designations During Its Trial Period—Yellow or Pink
Respondent's Designations During Its Trial Period—Green
Petitioner's Designations During Its Rebuttal Period—Blue

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

**Designated Federal Action Defendant's Written Direct
Testimony of Ronald S. Milstein, dated June 18, 2003**

* Designations made pursuant to the marking and filing procedure the Board has previously approved, TTABVUE Nos. 138, 136, 135, 132, 91 and 89.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EMPRESA CUBANA DEL TABACO d.b.a.
CUBATABACO,

Plaintiff,

v.

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,

Defendants.

Civil Action No.
97 Civ. 8399 (RWS)

**DIRECT TESTIMONY
OF RONALD S.
MILSTEIN**

Personal & Professional Background

1. I am an attorney and am currently Vice President General Counsel of Lorillard Tobacco Company in Greensboro, North Carolina. I graduated from Hofstra University School of Law in 1981 and received my B.A. from the State University of New York at Stony Brook. I was admitted to the New York state bar in 1982 and the North Carolina state bar in 1997. I am also admitted to practice before the Eastern and Southern Districts of New York as well as the Middle District for North Carolina. I am currently in good standing with the New York and North Carolina state and federal bars and have been since I was admitted to these bars.

2. I am receiving compensation for my time in preparing for this testimony and reimbursement for my travel expenses in connection with my testimony. I am being compensated on an hourly basis at the rate of \$300 per hour. This rate is commensurate with the amount of vacation time I had to use in connection with this action.

3. I joined Culbro Corporation (now General Cigar) in December 1983 as Assistant General Counsel. At that time, Ross Wollen was the General Counsel. I later became Vice President Assistant General Counsel and Assistant Secretary of Culbro Corporation. I held

that position until I was terminated in November 1993 due to a reduction in the company's force caused by a general downturn in all of Culbro's businesses, including cigars. I remained with the company, however, until approximately March or April 1994 in order to complete some projects. I have no ongoing business relationship with General Cigar.

4. I occasionally smoke cigars and have acquired broad knowledge about the cigar business in the U.S., including the premium segment, through my work in the industry. Based on my experience in the U.S. cigar business, I believe very few U.S. consumers of premium cigars were aware of the Cuban COHIBA in 1992. My own experience traveling abroad bears that out as well. Pursuant to my duties at General Cigar, I traveled to London with David Burgh, the General Cigar President in early 1993, and I also traveled to Spain once with Alfons Mayer, the Vice President of Leaf Operations for General Cigar, in the early 1990s. I recall purchasing and smoking Cuban cigars at Alfred Dunhill during at least one visit to London. I also recall visiting cigar stores and duty free shops when I traveled to Spain. I do not recall seeing Cuban COHIBAs for sale during those trips to Europe. I do not know when I first heard of the Cuban COHIBA, but the first time I specifically recall seeing a Cuban COHIBA was during my November 1992 visit to Cuba (discussed later in my testimony).

Communications With Outside Counsel Regarding Registering and Using the Cuban COHIBA Trade Dress

5. While employed by Culbro, I had broad responsibilities for all of the legal needs of the company, including litigation, intellectual property, trademark, corporate transactions, and employment law matters, with respect to all of the company's businesses, including its cigar business. During my time at General Cigar, I occasionally worked with John Kirby (on litigation matters) and F. Michael Danziger (on corporate matters) while they were with Mudge Rose Guthrie Alexander & Ferdon, General Cigar's principal outside counsel. I also

worked with Morgan & Finnegan, General Cigar's intellectual property counsel, on intellectual property and trademark matters, though I was not originally involved with trademark maintenance issues. I dealt primarily with Harry Marcus and Scott Greenberg at Morgan & Finnegan.

6. Sometime in 1989, I became involved on the legal side of developing a new potential design for General Cigar to use with its COHIBA word mark. General Cigar owned a number of Cuban origin brands for premium cigars. Like other U.S. cigar companies, General Cigar sold these Cuban origin brands using both the word mark and the trade dress used on Cuban cigars bearing the same name sold outside the U.S. by Cuban government agencies. For example, General Cigar marketed its PARTAGAS and RAMON ALLONES cigars in this manner. This marketing approach was designed to appeal to those U.S. cigar consumers who associated high-end premium cigars with Cuban-origin brands. General Cigar believed that a successful premium Dominican-COHIBA cigar with a strong brand identity in the U.S. would be of interest to the Cuban owner of COHIBA after the embargo and would facilitate some sort of joint marketing arrangement.

7. I recall that, beginning at least by April 1989, there were internal discussions at General Cigar and Culbro about the re-launch of the COHIBA as a premium cigar in the U.S. The company wished to market this product in conjunction with the Cuban COHIBA trade dress (or elements of it). I was asked by General Cigar's marketing executives to provide legal advice about whether the company could register the Cuban COHIBA's design, including the Indian head, in connection with General Cigar's COHIBA word mark. Though we did not believe the design was known in the U.S., General Cigar did believe that, as with its other Cuban origin brands, it was desirable both for short and long-term goals to market the brand with the

trade dress of the Cuban brand. Therefore, in April 1989 (or perhaps earlier), I began a series of communications with Morgan & Finnegan to seek legal advice on whether General Cigar could register designs similar to the Cuban COHIBA trade dress. These discussions continued on and off for several years as the company considered the re-launch of a new premium COHIBA. Many of our communications were oral; I do not recall the details of most of these discussions. However, there were also a number of written communications.

8. As a result of internal discussions at General Cigar, in April 1989 I first asked Morgan & Finnegan for advice on whether the company could register in the U.S. design marks that Cubatabaco used at that time on its COHIBA cigars, so that General Cigar could use these designs in conjunction with its own COHIBA word mark. D256 is a true and accurate copy of the letter I wrote to Mr. Greenberg on April 4, 1989 requesting this advice. At the time I wrote this letter, I was unaware that Cubatabaco owned the U.S. registration for the Cuban COHIBA trade dress with the word mark BEHIQUE.

9. On April 20, 1989, Morgan & Finnegan recommended that we conduct trademark searches in the U.S. before General Cigar attempted to register or use any of the design marks referenced in my April 4, 1989 letter because it was possible that Cubatabaco had registered some or all of them. Morgan & Finnegan also advised me that Cubatabaco might be able to object to General Cigar's registration or use of these design marks even if Cubatabaco did not own U.S. registrations for them if Cubatabaco could establish that the design marks were well-known in the U.S. D279 is a true and accurate copy of this letter. I understood this advice to be boilerplate since we did not believe that the Cuban COHIBA design marks were known in the U.S. at all.

10. After I received the April 20 letter in response to my request, Morgan & Finnegan conducted a search of U.S. trademark registrations. On July 6, 1989, Morgan & Finnegan advised me that General Cigar should not attempt to use or register the Cuban COHIBA trade dress in the U.S. because Cubatabaco owned a U.S. registration for that trade dress in conjunction with the word mark BEHIQUE. D229 is a true and accurate copy of this July 6, 1989 letter. I do not recall specifically discussing this issue with Morgan & Finnegan again until late in 1991, though there were ongoing discussions at General Cigar about the re-launch of the COHIBA as a premium brand using elements of the Cuban COHIBA trade dress.

11. Sometime around April 1991, I asked Morgan & Finnegan to conduct searches of certain marks, including COHIBA, in particular foreign countries, to determine if anyone owned registrations to these marks in other countries. General Cigar was considering registering these marks in other countries where they were available. At the company's request, Morgan & Finnegan conducted searches of these marks in countries that belonged to the European Economic Community ("EEC"). D300, D301, D302, D303, D304, D306 and D307 are true and accurate copies of letters and reports that demonstrate the progress of the search over the next several months. From the searches, Morgan & Finnegan concluded in 1992 that Cubatabaco owned registrations for COHIBA in all of the EEC countries, and they advised us of this information in a letter dated February 7, 1992. D301.

12. After the political changes in Eastern Europe in the early 1990s, General Cigar applied to register the COHIBA mark in Russia, Ukraine, Georgia, Czech Republic, Slovak Republic, and Poland in 1993. D305 is a true and accurate copy of my request that these applications be undertaken. I do not know the outcome of these applications. Also at around the same time we requested trademark searches for COHIBA and certain other brands in several

South American countries. Morgan & Finnegan subsequently determined that Cubatabaco had already registered the COHIBA mark in most of these countries, but that it was available in Bolivia. We applied to register COHIBA, among other marks, in Bolivia. Due to my departure from General Cigar, I do not know whether this registration issued.

13. In November 1989, the law regarding the type of use required in order to maintain the registration of marks in good standing changed. I understood that prior to the change in the law, “token use” of a mark – i.e., a single or small number of shipments of goods bearing a mark, made for the purpose of securing or perpetuating rights in that mark – was sufficient to maintain the registration of that mark in good standing. Morgan & Finnegan had advised that the change in the law redefined the “use” requirement so as to require sales or shipments of goods bearing the mark in the regular course of business. In May 1991, Morgan & Finnegan reminded me of the new law on use and advised General Cigar to review its inventory of marks and expedite any plans to resume use of marks that may not have been in commercial use, where the period of non-use had not yet reached two years. This May 21, 1991 reminder was probably sent in response to a discussion we had about a General Cigar-owned mark other than COHIBA. D318 is a true and accurate copy of this letter.

14. General Cigar’s management continued to ask me whether the company could use any elements of the Cuban COHIBA trade dress. Based on my trademark experience, I knew that Cubatabaco needed to file a use affidavit in order to maintain its U.S. registration for BEHIQUE. If Cubatabaco did not file a use affidavit, General Cigar would have been able to register the design marks in the U.S. I sought advice from Morgan & Finnegan in December 1991 as to whether anything had changed with respect to the availability in the U.S. of the Cuban COHIBA trade dress. In Scott Greenberg’s letter to me on December 5, 1991, he advised me

that Cubatabaco's use registration would not come due for an affidavit either of use or excusable non-use until the period June 1992 through June 1993. Because we would not have any further information on Cubatabaco's claim to the design mark in the U.S. until, at the earliest, June 1992, Morgan & Finnegan advised me that General Cigar should not attempt to register the design marks in 1991. D230 is a true and accurate copy of Morgan & Finnegan's December 5, 1991 letter. Shortly thereafter, I informed John McLoughlin and John Rano of General Cigar's marketing department that the company should not to seek to register or use the Indian Head design at that time. D296 is a true and accurate copy of my memorandum to Mr. McLoughlin and Mr. Rano.

15. In September 1992, I resent Morgan & Finnegan's December 9, 1991 letter to John Rano at his request. D299 is a true and accurate copy of this memorandum. Pursuant to Morgan & Finnegan's December 1991 advice, we were monitoring whether Cubatabaco had filed an excusable non-use affidavit. Morgan & Finnegan advised us in September 1992 that Cubatabaco had filed such an affidavit. D299.

16. The premiere issue of Cigar Aficionado was published in the fall of 1992. General Cigar thought it was high time to implement its existing plan to sell a premium COHIBA cigar in the U.S. General Cigar executives again asked whether this re-launch could be implemented using a trade dress that closely resembled the label Cubatabaco was then using on its COHIBA cigars in other countries. Although I had no reason to question their earlier advice, I again sought Morgan & Finnegan's counsel on whether we could legally do so in light of Cubatabaco's 1992 use affidavit. If they said the registration for the trade dress had been abandoned since their earlier advice, then General Cigar would have a good faith basis to go forward. On the other hand if Morgan & Finnegan continued to say no I could so advise General

Cigar Management. D281 is a true and accurate copy of my letter dated October 1, 1992 to Morgan & Finnegan requesting such advice. Morgan & Finnegan again advised against using such a label.

November 1992 Trip To Havana, Cuba

17. In November 1992, I accompanied Alfons Mayer to Havana, Cuba to attend a conference celebrating the fifth centennial of the discovery of tobacco. Hunters & Frankau, General Cigar's European distributor, invited representatives from General Cigar to accompany them to this conference. Hunters & Frankau paid for our expenses. At the time, General Cigar was interested in learning more about the world cigar market and further expanding into the European and other markets. Mr. Mayer had worked for General Cigar in Cuba prior to the revolution and was a multi-lingual expert on the tobacco industry. I was heavily involved in the legal aspects of General Cigar's international business at the time. My assignment included assessing the implications for the company should the embargo end and assisting Mr. Mayer in representing General Cigar's interests.

18. Mr. Mayer and I arrived in Havana, Cuba on November 1, 1992. We stayed for approximately one week and returned to the United States on November 8, 1992. During our stay, I took notes concerning the events of each day when I returned to my hotel room every night so that I could prepare summaries of our trip for company management when I returned. These notes accurately reflected the events of our trip. These summaries were prepared shortly after my return to the United States on the basis of my notes and recollection. I used these notes to draft several memoranda to General Cigar's management regarding what we learned on the trip. I have copies of some of my notes; however, I do not know what happened

to my other notes from the trip. D82 is a true and accurate copy of one page of these notes. The memoranda were written in the normal course of business.

19. I recall that Cubatabaco introduced the COHIBA Siglo 1492 line during the conference, but I am unsure when I first learned that the conference would include this launch. This Cuban COHIBA launch is referenced in a memorandum from Mr. Mayer and myself to Mr. Burgh, dated November 17, 1992, nine days after we returned to the U.S. D87 is a true and accurate copy of this memorandum. The COHIBA Siglo launch is also referenced in a memorandum from me to Mr. Burgh, dated November 25, 1992. D88 is a true and accurate copy of this memorandum. This memorandum contains observations on my trip. According to this memorandum, this COHIBA Siglo launch took place on November 5, 1992. D88 at GC 005973-4.

20. I recall meeting Adargelio Garrido, legal advisor to Cubatabaco, during the COHIBA Siglo launch event in the early evening of November 5, 1992. I remember that a female representative from Cubatabaco's legal department whom I had met earlier at the conference approached me at the event, which was a cocktail party, and said that she would like me to meet Mr. Garrido. She spoke English and took me over to where Mr. Garrido was standing and introduced me. I was under the impression that Mr. Garrido was a high ranking official in the Cubatabaco Legal Department. I spoke with Mr. Garrido briefly about General Cigar's desire to market COHIBA cigars in the U.S. using the Cuban COHIBA's trade dress. He acknowledged that General Cigar owned the COHIBA word mark in the U.S. and that Cubatabaco did not have any problem with our use of the COHIBA word mark in the U.S. However, he said Cubatabaco would strongly object to our using the Cuban trade dress. I do not

recall whether Mr. Garrido and I spoke in English or whether the woman who introduced me to him acted as an interpreter.

21. I memorialized the substance of my conversation with Mr. Garrido in a memorandum to Mr. Burgh dated November 20, 1992, twelve days after we returned to the U.S. D89 is a true and accurate copy of this memorandum. I wrote in this memorandum: “[Mr. Garrido] acknowledged that we owned the name in the U.S. and that we would be free to sell a cigar under that name there. However, he took exception when I posed a hypothetical which involved our using their design for COHIBA.” D89 at GC 005978.

22. I told Mr. Mayer about my conversation with Mr. Garrido immediately after it transpired. Mr. Mayer summarized my conversation with Mr. Garrido in a memorandum that he wrote to Mr. Burgh dated November 16, 1992, eight days after we returned to the U.S. D84 is a true and accurate copy of this memorandum. As with the other memoranda on this issue, it was written in the normal course of business based on my and Mr. Mayer’s personal knowledge, and I reviewed the final copy before it was sent. Mr. Mayer wrote in this memorandum: “They [Cubatabaco] basically had no legal objection (at this time) to use COHIBA name but would severely object to use the design and colors of the COHIBA brand and would legally fight it via an international route.”

23. During our stay, Mr. Mayer and I met Francisco Padron, who was then Director of Cubatabaco, on several occasions. I recall that Mr. Padron approached Mr. Mayer on November 2 and arranged a breakfast meeting with us for the next morning. When Mr. Padron spoke with me, he spoke in English. When he spoke with Mr. Mayer, he spoke in Spanish. Mr. Mayer is fluent in Spanish. My diary of my trip indicates that we spoke with him for one hour. It states the following: “Padron made it very clear that trademarks are not important. He said

Havana will sell cigars no matter what name they have. Any companies that have marks (this was directed to G.C.) would have to sell (give) the marks back to Cubatabaco and get distributorship rights only, or else Cubatabaco will sell the cigars under a new name.” (D88 at GC005970). I recall being surprised by his statements. I took from them that “Mr. Padron did not believe marks were very important to Cubatabaco – Cubatabaco had developed a solid brand name and it had the Habanos name, which was the most important.” I believe my notes from this trip accurately reflect this event. D82. They state “Habanos is more than a brand.” I recall that it was Mr. Padron who said this, and it is consistent with what Mr. Mayer and I learned from our trip to Cuba. There was an emphasis throughout the conference on Habanos (Cuban) cigars as a product name rather than individual brands, and I witnessed a concerted effort by Cubatabaco to market Habanos. Mr. Mayer recorded this perception in his November 16, 1992 memo that was based on our personal experiences. D84.

Communications with Outside Counsel Regarding General Cigar’s Launch of a Premium COHIBA Cigar in the Fall of 1992

24. In late November 1992, General Cigar began selling its premium COHIBA cigar exclusively through the Alfred Dunhill chain, which had outlets at the time in ten major metropolitan areas in the U.S. I participated in the decision to sell through Alfred Dunhill and recall that we negotiated an exclusive arrangement with Dunhill because General Cigar wanted to ensure that its new COHIBA had a mystique as a premium cigar that was distributed through limited, yet highly reputable channels. In addition, the company’s overall poor financial situation demanded that the initial launch of the new COHIBA be on a small scale. General Cigar regarded this launch as an interim step to set the ground work for the release of a super-premium COHIBA cigar. We extended the special arrangement with Alfred Dunhill in 1993 to include Mike’s Cigars in Florida because Dunhill did not have a store in Florida at that

time, and we needed to show commerce in that state in response to a challenge by an infringer of the COHIBA mark.

25. I asked Morgan & Finnegan for a legal opinion on the risks, if any, of General Cigar's anticipated launch of its premium COHIBA cigar exclusively through Alfred Dunhill at approximately the same time due because I wanted to ensure the company demonstrated sufficient use under the law. I requested this opinion because, as a result of the change in the law regarding token use, I wanted to make sure that we were doing everything required to protect our ownership of the COHIBA mark and that management was aware of any risks in going forward in the manner planned. I do not recall whether I sought this opinion before or after my trip to Cuba. Morgan & Finnegan sent me a draft opinion letter on this issue sometime in December 1992, which referenced my trip to Cuba. D83 is a true and accurate copy of this draft opinion and its attachments. In its draft opinion letter, Morgan & Finnegan advised General Cigar that, in order to protect itself from any claim that it had abandoned its COHIBA registration, the company should re-register its COHIBA mark to protect the appearance of the word mark in bold, capital letters. D83. On December 30, 1992, General Cigar filed an application to register with the United States Patent and Trademark Office the mark COHIBA in bold, capital letters. D97 and D232 are true and accurate copies of this application and the subsequent registration of the COHIBA mark to General Cigar. I signed the application on behalf of General Cigar.

26. In the draft opinion letter, Morgan & Finnegan also advised General Cigar to obtain written confirmation from Cubatabaco of what Mr. Garrido and Mr. Padron had told me and Mr. Mayer in Havana before launching its COHIBA cigar and not to use any elements of the Cuban COHIBA trade dress. D83 at GCP 0072, 0088. Morgan & Finnegan also advised

General Cigar that it might be able to modify the packaging of its COHIBA cigars to include one or more elements of the Cuban COHIBA trade dress after General Cigar's COHIBA cigars had established secondary meaning in the marketplace. D83 at GCP 0088. However, this would depend in part on Cubatabaco's reaction to it. D83 at GCP 0088.

27. I forwarded Morgan & Finnegan's draft opinion letter to General Cigar management with a cover memorandum summarizing the legal opinion and advising against using General Cigar's COHIBA mark with the Cuban COHIBA trade dress. D231 includes a true and accurate copy of the cover memorandum and a second true and accurate copy of the draft opinion. I advised management not to introduce the brand with the Cuban COHIBA trade dress, particularly because Mr. Garrido took exception to this proposal. D231. I also advised General Cigar to consider negotiating some agreement with Cubatabaco on the use of the Cuban COHIBA trade dress, assuming it would not violate the embargo. In this regard, I contacted Mr. Elliot Abrams, a former State Department official who was then employed by the Hudson Institute, to determine whether such an agreement would be a violation of the embargo. I recall him telling me at some point that it might be a violation.

28. In the mean time, General Cigar prepared a proposal to be presented to Cubatabaco through an intermediary. Our approach was to try to persuade Cubatabaco that it was in everyone's interest to allow General Cigar to use the Cuban COHIBA trade dress in the U.S. so that we could market a high-quality Dominican COHIBA cigar in this country, not only with the same word mark but also the same trade dress as the Cuban COHIBA. The proposal was either to enter a joint venture with Cubatabaco for the sale of the Cuban COHIBA in the U.S. post-embargo or to offer Cubatabaco a license in the U.S. in conjunction with an agreement that General Cigar would be the exclusive distributor of the Cuban COHIBAs in the U.S. post-

embargo. General Cigar asked Nicholas Freeman, a business contact at Hunters & Frankau, which was also Cubatabaco's U.K. distributor, to act as the intermediary and bring this proposal to Mr. Padron. These plans are summarized in a memorandum from me to Edgar Cullman, Jr., Edgar Cullman, Sr., and David Burgh. D283 is a true and accurate copy of this memorandum. As part of the summary in this memorandum, I reiterated my understanding of General Cigar's rationale for seeking a license to use the COHIBA trade dress from Cubatabaco. As I explained, General Cigar thought it made sense, in implementing its relaunch and repositioning of COHIBA as a super-premium cigar, to use the Cuban trade dress just as we had done with our other Cuban origin brands. Although the date on this document is January 14, 1992, I believe there is a typographical error because it refers to a meeting that Mr. Burgh and I had scheduled with Mr. Freeman on January 27, 1993. D283 at GCP 0557. Since this meeting actually took place in 1993, not 1992, the document should have been dated January 14, 1993.

29. In furtherance of General Cigar's proposal, Mr. Burgh and I met with Mr. Freeman on January 27, 1993 to discuss the specific terms of the proposal. D297 is a true and accurate copy of a summary that I authored that detailed some of the ideas we discussed in that meeting. This meeting is also summarized in a draft memorandum from me to Mr. Burgh, Mr. Cullman, Jr. and Mr. Cullman, Sr. dated February 3, 1993, less than one week after the meeting. D284 is a true and accurate copy of this memorandum. Like my other memoranda from this period, this memorandum was written in the normal course of business based on my personal knowledge. Mr. Freeman was pleased that we decided to use him as an intermediary and believed that Cubatabaco would be interested in General Cigar's proposal. Although a meeting was planned in February, I cannot recall if Mr. Freeman met with General Cigar again in New York in February.

30. In April 1993, I sent Morgan & Finnegan several samples for a proposed label for General Cigar's COHIBA cigars. These labels had been prepared by a graphic designer who was instructed to create design proposals incorporating some of the elements of the Cuban COHIBA design. None of these designs had an Indian head or checkerboard design, and they were done in a variety of different color combinations. I sought advice on whether General Cigar could use any of the samples or whether they would infringe Cubatabaco's U.S. registration of the Cuban COHIBA trade dress. D85 is a true and accurate copy of my letter to Mr. Marcus, and D85A is a true and accurate copy of the color samples that accompanied the letter. During a telephone conversation, Mr. Marcus advised me on which proposals he believed were acceptable or the most prudent choices from a trademark law perspective. As was often my practice, I took notes during my conversation with Mr. Marcus on this topic in the normal course of business. D313 is a true and accurate copy of these notes.

31. Although I do not recall specifically, I believe that I was seeking this advice at this time so that we could send samples of the labels to Mr. Freeman to show Mr. Padron for his approval. In April 1993, General Cigar prepared a letter to Mr. Freeman asking that he show Mr. Padron certain samples of General Cigar's proposed trade dress for its COHIBA cigars in order to avoid any legal disputes. I participated in the preparation of this letter. D44 is a true and accurate copy of a letter from Mr. Cullman Jr. to Mr. Freeman dated April 20, 1993. I do not believe that Mr. Freeman ever met with Mr. Padron. Though I do not recall the specific reasons for that, I do remember being very concerned about not violating the terms of the embargo and continuously cautioning management on that point. None of the proposed designs was ever used on General Cigar's COHIBA cigars.

General Cigar's Enforcement Efforts To Protect Its COHIBA Mark

32. I was personally involved in General Cigar's efforts to protect its marks in the U.S. I am aware of very few efforts to counterfeit COHIBA prior to the time I left General Cigar. D135 is a true and accurate copy of a letter I sent on November 9, 1990 to an infringer. In 1993, I wrote at least two cease & desist letters to a company in Florida that was using the COHIBA mark. D295 and D140 are true and accurate copies of two of these letters. To my knowledge, Cubatabaco took no action to assert its trade dress rights in the U.S. by prosecuting any of these counterfeiters or infringers even though these infringers and counterfeiters used Cubatabaco's COHIBA design.